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01 BEFORE THE CALIFORNIA HORSE RACING BOARD

01

02 OF THE STATE OF CALIFORNIA

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03 ALAN W. LANDSBURG, CHAIRMAN

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07 In The Matter Of:)

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08 Regular Board Meeting of the)

08 California Horse Racing Board)

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17 TRANSCRIPT OF PROCEEDINGS

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18 Monrovia, California

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19 Thursday, January 24, 2002

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25 Reported By:

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26 TINA RENE ICE

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27 Job No.:

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01 BEFORE THE CALIFORNIA HORSE RACING BOARD

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OF THE STATE OF CALIFORNIA

ALAN W. LANDSBURG, CHAIRMAN

In The Matter Of:)
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Regular Board Meeting Of The)
California Horse Racing Board)
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TRANSCRIPT OF PROCEEDINGS, taken

at the Holiday Inn, 924 West Huntington Drive,
Monrovia, California, commencing at 10:34 a.m. on
Thursday, January 24, 2002, heard before
ALAN W. LANDSBURG, Chairman,
reported by TINA RENE ICE, a Hearing Reporter
in and for the State of California.

APPEARANCES:

Chairman: Alan W. Landsburg

Chairman: Roger H. Licht

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04	Executive Director:	Roy C. Wood, Jr.
04		
05	Commissioners:	William A. Bianco
05		Sheryl L. Granzella
06		John C. Harris
06		Marie G. Moretti
07	John Sperry	
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01 Monrovia, California, Thursday, January 24, 2002
02 10:34 a.m.
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05 MR. WOOD, JR.: Good morning Ladies and Gentlemen
06 and welcome to the regular scheduled meeting of the
07 California Horse Racing Board. I'd like to respectfully
08 request that everyone please take their seats, so we can
09 begin with this morning's meeting.

10 As I stated earlier, this is a regularly
11 scheduled meeting of the California Horse Racing Board.
12 It's being conducted on Thursday, January the 24th, at the
13 Holiday Inn in Monrovia, California.

14 Present at today's meeting are

15 Chairman Alan Landsburg, Vice-Chairman Roger Licht,
16 Commissioner William Bianco, Commissioner Sheryl
17 Granzella, Commissioner Marie Moretti, and
18 Commissioner John Sperry. Commissioner John Harris will
19 join the meeting in progress. He's been tied up in
20 traffic, and will hopefully be on his way.

21 Before we go forward with the meeting this
22 morning, I would respectfully request that if you have
23 testimony to give in front of this Board, that you please
24 state your name and your association for our court
25 reporter. We're having very tight quarters this morning,
26 and we ask everyone to please respect a quiet and do
27 respect when people are speaking because we have a very
28 tight quarters and everyone's going to be -- have a chance
0007 to speak, but you need to state your name and your
01 association when you start talking in front of the Board.
02 With that I would like to turn this over to
03 our Chairman, Mr. Alan Landsburg.
04 MR. LANDSBURG: One of the first orders of
05 business, I would like to introduce the newest member of
06 the California Horse Racing Board, Mr. John Sperry.
07 Mr. Sperry has a long association in the
08 labor movement. He is President of the United Food and
09 Commercial Workers Union, Local 324, and he's been with
10 them since 1959. He is also a horseman, which is also a
11 delight to hear. He holds racing licenses in California,
12 Arizona, and New Mexico. Mr. Sperry also serves as a
13 member of the Joint Labor Management Committee. He was in
14 the UFCW, that's United Food and Commercial Workers
15 International Presidential Appointee of the Civil Rights
16 Committee in 1984, and he is a Marine, so be careful
17 (unintelligible).
18 We welcome him. Mr. Sperry, it's good to
19 see you on our Board.
20 MR. SPERRY: Thank you very much.
21 (Applause)
22 MR. LANDSBURG: As a side note -- excuse me. As a
23 side note to that, I believe for the first time in a
24 long time, we're looking at a Board that, given life going
25 smoothly, will be with you for at least the next two years.
26 So beware.
27 Moving to our agenda, which is long and happy
0008 in a room that I've nicknamed, with some arbitrary feeling,
01 the room of "Greed and Need".
02 We're moving on to the minutes of our last
03 meeting and asking for the approval of the minutes of our
04 regular meeting, November 30th, 2001.
05 Do we have any changes or suggestions?
06 MR. LICHT: -- I'll move for the approval.
07 MS. MORETTI: Seconded.
08 MR. LANDSBURG: Moved and seconded.
09 All in favor?
10 THE BOARD: Aye.
11 MR. LANDSBURG: Moved. Those minutes are approved
12 as written.
13 The next item for business is discussion and
14 actions by the Board on the Application for License to
15 Conduct a Horse Racing Meeting of Capitol Racing, LLC
16

17 at Cal-Expo, commencing March 1st through July 27th.
18 MS. WAGNER: The Application for License to Conduct
19 a Horse Racing Meeting of Capitol Racing, LLC at Cal-Expo.
20 They are proposing to race from March 1st through July
21 27th, 2002. The association is proposing to
22 race 90 nights with 1,095 races or 11.7 races per night.
23 They are requesting that if sufficient
24 horses are available, they would like to race three
25 additional days, those being July 10th, 17th, and 24th,
26 for a total 93 nights. They will be racing five nights
27 per week, Wednesday through Sunday in March and April; and
28 four nights per week, Wednesday through Saturday in May
0009 and July, that would be 15 races per night. The first
02 post time is 5:35 p.m. daily.
03 The analysis indicates that they're missing
04 the fire clearance, that has been received. And staff
05 would recommend that the Board approve the application as
06 presented.
07 MR. LANDSBURG: Thank you. And are there any
08 further comments about this license?
09 Jackie, would you come a little closer to the
10 microphone.
11 Can you hear in back? Just checking to be
12 sure everybody is hearing.
13 AUDIENCE MEMBER: No.
14 MR. LANDSBURG: No. So Jackie, would you come
15 closer to your microphone. Thanks. And for people that
16 are making statements, please let them have that
17 microphone fairly close. It is a crowded room and bodies
18 absorb a lot of sound.
19 Coming back, is there a discussion of this
20 license?
21 And Mr. Horowitz, (phonetic) do you have more
22 to say?
23 MR. HOROWITZ: Alan Horowitz, Capitol Racing. No.
24 I don't have anything more to say, but I'd be glad to
25 answer any questions.
26 MR. LANDSBURG: Are there any questions or comments
27 concerning this license application?
28 MS. MORETTI: No. But I would like to make a
0010 comment Mr. Chairman just as a --
02 MR. LANDSBURG: I'm not sure if (unintelligible).
03 MS. MORETTI: Just as a Sacramento area resident, I
04 just wanted to congratulate Alan and his staff. The night
05 racing has been, I think, rather successful and
06 well-received by the entire region. So I say keep up the
07 good work.
08 MR. LANDSBURG: Any further comments?
09 In that case, I encourage a motion to approve
10 the Application.
11 MR. BIANCO: I make a motion.
12 MS. GRANZELLA: I second it.
13 MR. LANDSBURG: Mr. Bianco just moved, and seconded
14 by Ms. Granzella. Sorry, Sheryl (unintelligible).
15 All in favor?
16 THE BOARD: Aye.
17 MR. LANDSBURG: Opposed?
18 The application is approved. Thank you.

19 Next Item on the agenda is discussion and
20 action by the Board on the request of Bay Meadows and
21 Golden Gate Fields to amend the Board the approved 2002
22 race dates.
23 MR. REAGAN: Good morning Commissioners, John
24 Reagan, CHRB staff, that's R-E-A-G-A-N.
25 The essence of this request is to move one
26 week from Bay Meadows to Golden Gate Fields. Specifically,
27 that week would be November 6th through November 11, 2002.
28 The request is a joint request from Bay Meadows and
0011 Pacific. We have no input from the horsemen at this point
02 and others perhaps might be of some interest, though we
03 would recommend you hear from others before, to see if
04 there is any discussion on this request.
05 MR. LANDSBURG: Well, we are open to discussion on
06 this request. Does this fall inside or outside the
07 Breeders' Cup, just out of curiosity. Does this date fall
08 into -- I don't know the dates for 2002.
09 MR. REAGAN: No. No, it doesn't.
10 MR. LANDSBURG: It doesn't. It's already done by
11 the time we get there?
12 MR. REAGAN: Yes.
13 MR. LANDSBURG: Any further discussion of this?
14 Thank you. Mr. Van de Kamp.
15 MR. VAN DE KAMP: John Van de Kamp on behalf of the
16 TOC. We have no objection to this transfer date.
17 Basically equalizes the number of dates that each track
18 will have. And that, I believe, as Mr. Tunney will
19 indicate, has sort of been the history of Northern
20 California until recently; is that correct?
21 MR. TUNNEY: Correct.
22 MR. LANDSBURG: It is simply -- is there any other
23 reason or rationale for wanting to make this move, just
24 out of curiosity?
25 MR. TUNNEY: Peter Tunney, representing Magna
26 Entertainment Corporation of California.
27 No. This is clearly just to equalize the
28 calendar. What happened was when the arduous task that the
0012 staff had to go through putting together the calendars for
02 this year, it just got out of wack and wasn't timely to
03 bring it up, and so we knew we'd adjust it later. Thank
04 you.
05 MR. LANDSBURG: Until the race dates committee
06 comes back at session; right?
07 MR. TUNNEY: Well, we wanted to get it over before
08 that. No. (Unintelligible) the last of our
09 (unintelligible).
10 MR. LANDSBURG: I'm sorry. Are there any other
11 discussions with this request?
12 Can we entertain a motion to approve?
13 MS. MORETTI: I'll move to approve this motion.
14 MR. BIANCO: I second the motion.
15 MR. LANDSBURG: Okay. Second by Commissioner
16 Bianco. All in a favor?
17 THE BOARD: Aye.
18 MR. LANDSBURG: Opposed?
19 If everything were this easy, life would be
20 good (unintelligible).

21 MR. TUNNEY: Thank you.

22 And item 4, discussion and action by the
23 Board on the Application for License to Conduct Advance
24 Deposit Wagering from Youbet.com.

25 MS. WAGNER: Jackie Wagner, CHRB staff. Youbet has
26 filed this application to participate as an out-of-state
27 multi-jurisdictional wagering hub for the purpose of
28 advance deposit wagering. They are proposing to operate
0013
01 seven days a week. Their hours of operation will be
02 approximately 7:00 a.m. to 11:00 p.m. Pacific Standard
03 Time.

04 Youbet contracts with Television Games
05 Network, or TVG, as we'll refer to it from now on. And
06 they use TVG's wagering technology, and their automated
07 telephone applications for the acceptance of online
08 pari-mutuel wagers of horse racing on the following
09 associations: The Los Alamitos Racing Association,
10 Churchill Downs, which is at Hollywood Park, Del Mar, Los
11 Angeles County Fair at Fairplex, and Oak Tree Racing
12 Association.

13 There are still a number of items needed to
14 complete this application. We have yet to receive a
15 contract with TVG. We have yet to receive contracts with
16 the racing associations. We have not received horsemen's
17 approvals, nor have we received the \$500 financial security
18 that is a requirement -- \$500,000 financial security, which
19 is a requirement.

20 Staff would recommend that the Board defer
21 this application until we receive those items.

22 MR. LANDSBURG: Before I ask for discussion, I'd
23 like to make a statement on behalf of the Board.

24 (Reading) "These next four Items on the
25 agenda represent an historic step in California racing
26 history. In a moment we'll undertake considerations and
27 deliberations centered on the licensing with advance
28 deposit wagering hubs to serve California.

0014
01 Advance deposit wagering licenses, if
02 approved by the Board, will take their place as what some
03 would call, absolute necessities to ensure California's
04 racing survival. At least that's what I've been told.
05 But we have a history of white knights who think like
06 (unintelligible), whose enactments promise to rescue the
07 racing. First came Sunday racing, then exotic wagering,
08 then offtrack wagering, license relief and then today's
09 simulcast wagering. Sadly they only become hospices on
10 the apparent road to racing's demise.

11 So history makes me weary. I do want to see
12 ADW takes its place -- I do not want to see ADW take its
13 place among those tarnished white knights. It's my
14 fervent hope instead, that when and if instituted, it will
15 be the turning point to a great future.

16 The Board's sworn concerns is the three-fold
17 protection of the California public, state of California,
18 and lastly, the California racing industry, and all of its
19 components. In preparing for ADW, the Board
20 representatives found willing and able assistance from
21 virtually every part of the industry. The regulations for
22 ADW were promulgated, discussed, sent to AOL, and

23 received back in record time, and now, we arrive at the
24 crossroads.

25 The activities to ensure ADW triggered a
26 legislative for us to make it possible. There followed by
27 the CHRB actions, which created a path. A desire for ADW
28 has been evidenced by our current (unintelligible).

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01 Pressure's building to get it underway. If it is done in
02 slipshod fashion, we will likely waste the pinup public
03 relations opportunity. By the time it's right we'll be
04 back to simply cannibalizing in the entrenched
05 (unintelligible). So we must lead surely and comfortably
06 into this new, brave new opportunity.

07 Is this going to be another slice-and-dice
08 or fan base? They are largely gray, tired and bent by the
09 (unintelligible) be careful.

10 The promise of ADW is the possibility that
11 racing will finally have the means to pursue a new
12 audience through mass media, and the mass media
13 presentation of our products. It should not be haphazard.
14 It should not be hit-and-miss. It cannot be given lip
15 service and then not delivered.

16 And finally, it might be intelligently
17 presented so that new fans can have a simple and direct
18 framework in which to enjoy racing. It must create heroes
19 and interest the people. That interest in the people are
20 the horses. So that the stands can fill with new
21 audiences who enjoy the racing and the wagering.

22 So we must first lead this (unintelligible)
23 new audience to our sport. If ADW doesn't supply the
24 engine, nothing will.

25 I personally met with some executives of
26 potential licensees. I've heard promises of new
27 (unintelligible). I've also heard the grief complaints
28 and statements lauded by greed of self-interest. What I

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01 haven't heard is inspiring visions of how to turn this
02 last corner. I haven't heard why deposit wagering can be
03 the salvation of racing. I haven't heard why and how
04 benefits will accrue to the State, the people of
05 California and the industry, and the thousands of
06 (unintelligible) as well as horsemen whose livelihood is
07 derived from racing. So we'll now proceed to look at
08 what's being offered.

09 I for one, wanted to be assured that what we
10 are enacting is a rebirth and not last rites.

11 I will now turn the agenda item to
12 Vice-Chairman Licht. I'm recusing from considerations of
13 Youbet's license applications, since I once served on the
14 company's Board. I hasten to add that I resigned prior to
15 accepting the appointment to the CHRB, and for the record,
16 have no financial interest in the company.

17 Further, I made no profit in
18 (unintelligible). In fact, I lost the money. And for
19 purposes of full disclosure, I learned last week that one
20 member of my family, my sister, holds 100 shares of
21 Youbet, purchased years ago, and not sold. Because as she
22 said, it was too just too little to worry about."

23 Commissioner Licht, I will now turn this over
24 and recuse from this.

25 (Commissioner Harris arrives)
26 MR. LICHT: Thank you, Alan.
27 We've had the opportunity to review all of
28 the applications with respect to Youbet, which is our
0017 current agenda Item. The number one concern is the
01 financial security. There's been no evidence presented to
02 us of the \$500,000 bond that's required. I'd like to ask
03 Ron Luniewski or someone from Youbet to address
04 that issue.
05 MR. WOOD: We need to reflect for the record
06 also Mr. -- that Chairman -- that Mr. Harris has
07 (unintelligible).
08 MR. LUNIEWSKI: Ron Luniewski with Youbet.com. Roger,
09 an answer to your question, we submit -- just to give you
10 a little history of the bond issue and on the other
11 outstanding issues.
12 We believe that all those were solved and it
13 was just -- these things are simply a matter of timing,
14 but we do appreciate that the Board and staff had moved
15 with such speed on this thing, and a lot of, the quote,
16 paperwork is catching up.
17 The bond, in particular, we filed our
18 application on 11/15. It's saying that we do a letter of
19 credit. On January 17th, we received word back that
20 doesn't work. You need to put up a bond.
21 We have now submitted a bond and it is our
22 understanding that simply the condition is to fill out the
23 paperwork and B of A will have the money there within 48
24 hours, and we sent it to you guys on the 17th. So I think
25 we have a disconnect there, but we are prepared to solve
26 that today. That's not an issue.
27 MR. LICHT: Well, I read the letter from Bank of
0018 America, I believe, that you are talking about, the
01 January letter. I don't think it says it's an
02 unconditional assurance that they're going to post the
03 bond for you. And also the law requires us to have --
04 actually to have that bond in hand before we can approve
05 an application, unless your reading of it is different
06 than mine.
07 MR. LUNIEWSKI: My understanding was and -- candidly,
08 Roger, I didn't focus on the details, but what my legal
09 counsel told me is that it was unconditional, and that the
10 CHRB could call it now, we have the -- we still own
11 interest on that money, and you will be notified if we try
12 to do something with that, you know, which we obviously
13 never would. I mean, look the bottom line if this is the
14 first we heard that, we'll just do whatever, quote, a
15 regular bond is, ASAP. That's not an issue for us at all.
16 We were just trying to, you know, do
17 what's in the best interest for everybody. So that's --
18 MR. LICHT: Okay. There's also a second issue
19 with respect to the contract with the racing association.
20 I understand, from reading your papers and
21 talking with you, that you have basically a sublicense from
22 TVG. Now, again, I haven't seen any document that
23 straight out says that it's -- that it is a consent by TVG
24 to allow you to use their contract with a racing
25 association, number one. And number two, and I don't

27 think we have to get to that today, is -- I don't see
28 anything in the law that gives you the authority to
0019 basically sublicense someone else's rights and bootstrap
01 your application that way into approval.
02 MR. LUNIEWSKI: Let me give you -- once again, on the
03 request for the TVG contract, we received that on Monday
04 and we sent the contracts out. We brought several copies
05 of the contracts with us because we recognized that was an
06 issue. The actual contract itself.
07 And I do want to note that when we did
08 submit our application, the TVG contract was in the
09 application, although it was within our second quarter
10 filings. We made that document public. So the Board has
11 had that since 11/15, but we do recognize it was buried
12 and que'd.
13 That said, the broad framework with the TVG
14 relationship, is that TVG has signed relationships with,
15 you know, tracks such as Los Alamitos, Del Mar, Oak Tree,
16 and Santa Anita, that are tenure in nature.
17 TVG granted us licensing rights to that
18 content being the signal and the wagering, honoring under
19 interactive platforms.
20 The racetracks have signed consents to that
21 which we have submitted to the Board, saying that the
22 racetrack were fine, that they consented.
23 Um, once, again, Roger, just thinking last
24 minute, we also have received opinion from our counsel,
25 Christian, Jacobs, Miller and Shapiro that those -- the
26 way we've done that, the sublicensing giving consents from
27 the racetrack, they don't see any issues that are
0020 statutory or legal in nature.
01 So we believe we've solved that issue on --
02 on regulatory issues. On top of that, we're working with
03 all the horsemen groups, and to date we received a letter
04 that we literally just got last night from the Quarter
05 Horse folks and we're in discussions the Thoroughbred
06 Owners of California and we're very optimistic that we can
07 get something done in just the next couple of days.
08 MR. LICHT: And the last issue that I have is --
09 and maybe TVG needs to answer this, is in TVG's
10 agreements with the tracks, I didn't see anything
11 specifically that granted the right to sublicense or their
12 rights to another hub. So I guess you're saying basically,
13 that by law, the contract will be assignable provided that
14 that race association consented to it?
15 MR. LUNIEWSKI: In which they've done, that's
16 correct.
17 MR. LICHT: Then I'm correct there's no specific
18 clause in the agreement that allows for assignment in.
19 MR. LUNIEWSKI: You're probably correct that TVG will
20 have to comment on that. I wouldn't know.
21 MR. LICHT: Could you John or Mark?
22 MR. WILSON: Mr. Chairman, Commissioner Licht.
23 MR. LICHT: Please identify for the --
24 MR. WILSON: Yes, Mark Wilson, Chief Executive
25 Officer of the TVG.
26 There's an issue under the contract as to
27 whether or not we have the rights to do an assignment. We

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01 didn't choose to view that issue from a legal perspective.
02 We simply went out to our track partners and asked them to
03 consent to the relationship, and those that did. Youbet
04 has the rights now to take wagers on their races.

05 MR. LUNIEWSKI: So once again, Commissioner Licht,
06 back to the point is that -- (unintelligible) quickly we
07 do have the correct consents that there would be no
08 statutory requirements, which is maybe a timing issue.

09 MR. LICHT: Any comments from any of the other
10 commissioners?

11 MR. WOOD: Ron, do you have a contract with
12 the MEC or Santa Anita Group at this time?

13 MR. LUNIEWSKI: No, I do not.

14 MR. WOOD: Do you have a contract with the
15 horsemen's association, thoroughbreds who are racing at
16 Santa Anita at this time?

17 MR. LUNIEWSKI: No, that's why -- I do
18 (unintelligible) just to clarify -- um, and let me make
19 sure I -- Youbet.com holds a license in Oregon. And then
20 we are basically on a vendor relationship with Magna who
21 holds a license in Pennsylvania. I'm here seeking a
22 license for the Oregon license that I have because that's
23 the license I have. The Santa Anita content is not
24 available there, as we all we know for business reasons.

25 Um, the TOC, we sat for the first time with
26 John, Drew and Ron Charles on Saturday. They made a
27 proposal. We countered to that proposal, and you know,
28 and as I spoke to John last night, I understand if we can

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01 simply we can get it on a table, we can get a deal done.

02 I want to make one thing clear, we have a
03 record for this, it's always been Youbet views that the
04 horsemen -- you know, the content is king and the horsemen
05 drive that content; and we believe that, you know, at a
06 minimum with ADW the horsemen should remain whole, and we
07 think that with Youbet.com especially the out-of-state
08 wagering that we can really help these guys.

09 Once again, it's just, you know, we're
10 trying to catch up to this. We were a little bit
11 (unintelligible) thinking maybe we weren't going to get a
12 license until February or March, and then frankly, it was
13 like last Tuesday or Wednesday, we started realizing that
14 this was going to happen and started trying to catch up to
15 all these folks. And that's why I think the four
16 outstanding items are related to, just simply that.

17 MR. LICHT: Have you done any studies on what the
18 impact of your service might be on California labor and
19 how many jobs might be lost or gained to Californians as a
20 result of Youbet?

21 MR. LUNIEWSKI: No, roger. We have not done anything
22 specifically, but if maybe you can bear with me, and just
23 kind of give you a two-minute overview of Youbet and just
24 our views and what we've learned. Because frankly, we've
25 been in this business since 1998, and we're the longest
26 out there. We currently have about 20,000 subscribers.
27 We've wagered over \$250 million dollars through our
28 system.

0023

01 What we set out to do is simply build the

02 best technology, the best platform for the interactive
03 distribution channel, mainly led by the Internet today. We
04 believe that the interactive distribution channel for horse
05 racing is going to expand and other appliances, like
06 wireless will come into play.

07 If you look at the Youbet product, Roger,
08 and I'll get into that. I think that California we employ
09 70 people in California today. As we grow the business,
10 we're going to grow more people.

11 We're sitting here with a massive threat
12 from offshore gaming. We have a lot of our fans who've
13 gone offshore, none of us are seeing any of that money.
14 We are constantly competing online with other forms of
15 entertainment, such as the NFL, baseball, fantasy sports.
16 If you look at the Youbet product offering, quite frankly,
17 I think that we can really go after those two areas and
18 make a difference for racing.

19 Just let me give you one example. This is a
20 hypothetical thing, but, you know, here's where we're
21 missing the boat. Kid graduates from UCLA. He's 22
22 year's old. He sat in his dorm room, who's been seen with
23 his buddies watching the U-2 concert in Dublin, Ireland.
24 Why? Because it's cool to watch U-2 from where U-2 came
25 from, Dublin, Ireland.

26 That media that he's using, the Internet,
27 is a transparent to him, okay. He is a fantasy baseball
28 player. He's a statistical nut. He's playing baseball.

0024

01 We market him correctly, which we know how to do. We make
02 a lot of mistakes. We've done a lot of things right
03 marketing to people. We believe we know how to reach
04 those guys. We can turn them onto horse racing in that
05 medium. Fast forward that 10 years now, he may be a \$2.00
06 better. He may not be a bettor. He may be an owner. He
07 may be a big player. Well, we believe in that media. We
08 can reach those guys and we got the best products.

09 To indirectly answer your question, we did a
10 survey of our people -- it's coming off on about 20 months
11 ago, so it's a little old -- but a little over 20 percent
12 of our people said they've never been at a racetrack or an
13 off track betting facility, less than twice a year. So we
14 are beginning to reach the new fan. And that's why we're
15 excited about coming into California. We think there's
16 one game for everybody.

17 As it relates to horsemen, I mean, we are
18 going to have to work together. It's going to be a
19 partnership. We're going to have to look at how the
20 numbers are -- because I'm a golfer, we're probably going
21 to adjust on the back 9. I mean, you know,
22 (unintelligible) but that's our general approach and
23 philosophy. And as I said, if you look at the four issues
24 that are on the table, we believe that every
25 one of those are solved today. And we're ready to go.
26 We're ready to after the offshore guys. We're ready to go
27 after the new fans.

28 MR. HARRIS: I don't understand -- believe --

0025

01 they're not really solved and you really don't have the
02 horsemen's approval today?

03 MR. LUNIEWSKI: Well, we -- on the Los Alamitos side,

04 we have TVG consent and approval from the Quarter Horse
05 horsemen. We are working with the TOC. I'm sure that
06 Mr. Van de Kamp will come up and give his views to
07 where -- and he'll tell you that we're working in good
08 faith. And I'm -- you know, see what John has to say.
09 And the other folks that we've reached out to is the
10 harness side, the Cal-Expo. We've got a good relationship
11 with those folks.

12 MR. LICHT: I think that, from -- speaking from
13 myself personally, I'm not comfortable approving the
14 application if it's not complete in full as it is. I
15 wouldn't recommended that we turn down the application,
16 but I would -- my personal recommendation is that we would
17 defer it until the application is complete. And
18 obviously, I'd like to hear from the other commissioners
19 with respect to that.

20 MS. MORETTI: Excuse me, Mr. Chair, I would agree
21 with you. My -- I certainly agree with our witness
22 here, that the notion that the threat of these offshore
23 hubs coming in and taking money away from California, was
24 certainly one of the reasons why I think the legislature
25 and the Governor were interested in passing the ADW. But
26 at the same time, my attitude is that there's just too
27 many issues here that are unresolved and I would not want
28 to rush into anything until everything has come in in
0026

01 terms of what we've -- all the work that's gone into
02 putting these applications together. They need to be
03 filled out before we can approve them.

04 MR. LUNIEWSKI: I agree with you, Commissioner.
05 A suggestion would be though, that we feel as though that,
06 you know, literally it's paperwork, and some are between
07 this table and that table. And, you know -- but if we can
08 validate the bond, it seems to be the biggest outstanding
09 issue, we're ready to go. Maybe we can delegate to the
10 Executive Director.

11 MR. HARRIS: I think one issue though is that we
12 have a whole group of interest in racing that need to be
13 able to understand what's going on before we proceed. We
14 just quite aren't there yet. I think everyone should get
15 something going, but we need to really have to complete
16 applications so the public in large can really review
17 before we proceed.

18 MR. LICHT: The bond is really a very
19 important thing. That was one of the things that we put
20 forth as one of our key regulations to make sure that the
21 betting public and the tracks are protected from
22 deterioration of the pool.

23 MR. LUNIEWSKI: I then will express my frustration
24 there. We brought our application on 11/15. We were
25 notified on January 17th, that the line of credit -- I'm
26 sorry not on the 17th. November, we were notified on
27 January 17th that the letter of credit didn't work. We
28 moved forward in great haste to solve that issue. Thank
0027

01 you.

02 MR. HASSON: I can uh, answer some further
03 questions on the topic.

04 Joe Hasson, Youbet.com. Joe Hasson,
05 H-A-S-S-O-N. I can answer some further questions on the

06 issue with the bond and financial security, if you wish.
07 MR. LICHT: I mean, as far as I'm concerned
08 personally, and other people (unintelligible) because the
09 law is very clear, it is has to be a bond, period. It
10 doesn't say financial security, I believe and --
11 MR. HASSON: Well, they're other financial
12 security. That's what it says.
13 MR. LICHT: Right. So what are you afraid -- what
14 are you worried about?
15 MR. HASSON: Well, what we did when we were
16 notified on the 11th of January, that it's, you know
17 (unintelligible) letter of credit was insufficient. We
18 immediately proceeded to resolve the issue. We contacted
19 some insurance agents. We found that bonds would take
20 several weeks. So we decided to just put up the money.
21 We contacted Bank of America and asked them if they could
22 facilitate that, and they said they could.
23 Um, I contacted the CHRB and asked them if a
24 CD, Certificate of Deposit would be sufficient collateral,
25 and they said, yes, it would be. We immediately proceeded
26 to have Bank of America put together the paperwork, and we
27 forwarded that paperwork to the CHRB on January 17th. We
28 just need to have it signed, and then we can get this
0028 certificate put together and -- as collateral. And
01 obviously, if you go through the agreement in you're --
02 and CHRB's a party to this agreement, and Bank of America
03 is the intermediary to make sure that you're notified and
04 this collateral is protected.
05 And if that wasn't sufficient, you know, give
06 us some guidance on what is sufficient, so we can post the
07 CD, and we'd more than happy to comply, immediately.
08 MR. LICHT: Roy, can you address that.
09 MR. WOOD: Well, I think they need to let John
10 answer that question. I think we discussed that with
11 them, John Reagan, and I do believe that we were told
12 today, that prior to this meeting that the bond would be
13 brought to us and be delivered, but it's not here.
14 John; isn't that correct?
15 MR. REAGAN: Yes. The documentation that was
16 forward to us required a countersign by the CHRB, and it
17 was a several page document, legalese, and we were not
18 prepared to sign that document.
19 MR. HASSON: We understand, you know, give us some
20 guidance here and we'll deliver the things that you have
21 asked for.
22 MR. LICHT: Well, we'll be happy to that, but John
23 will work with you. I'm not speaking for John, but
24 certainly in the direction from -- meet with the Board to
25 work with you to try and get your application.
26 And I believe Ron said that you really only
27 anticipated getting your license by February or March
0029 anyway, that's why some of things are late, so I guess
01 that maybe your anticipation will come true.
02 MR. HASSON: I hope so.
03 MR. VAN DE KAMP: Mr. Chair, John Van de Kamp of
04 TOC. I wanted to step in here, at least comment about the
05 application of Youbet, and I don't differ, I think, with
06 your recommendation.
07

08 But I would like to just say that our TOC
09 committee that's been mentioned, Mr. Couto, Mr. Charles,
10 and myself visited with Mr. Luniewski, at their site. Spent
11 some time with them. In fairness to them, Ron approached
12 me down in Tucson, I think it was, or thereabouts, about
13 trying to work this thing through.

14 We regard Youbet's product as a distribution
15 channel. We believe there should be many distribution
16 channels. The problem, and I get back to what Mr.
17 Landsburg has said, is that they tend to play to existing
18 betters. At the same time they've developed one of the
19 more sophisticated Internet like products and there's some
20 potential. I don't want to put this in black letters, but
21 to -- as Mr. Luniewski said, perhaps get some new fans into
22 the game before basically Internet oriented.

23 All that aside, as TOC approached all three
24 of the entities, who'll be here this morning, we made a
25 decision that we would try to price the different entities
26 based on what we thought their level of distribution was.

27 I mean, if you remember, the movie "Jerry
28 McGuire," "Show me the money," basically, was -- remember

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01 Cuba Gooding's statements in that? We're saying, "Show us
02 the distribution." Because we fully agree that
03 distribution is king here, and has to be broad.

04 We have an audience of 22 million adults in
05 California that we've been provided the opportunity to
06 reach. We're not, frankly, very happy with any of the
07 proposals that we're going to see today, in the sense that
08 they are getting out there to the maximum extent. We also
09 believe though that they're probably -- we need to get a
10 start. We need to encourage these groups to get going,
11 and to develop that kind of distribution and we've come up
12 with proposed short-term agreements that can be adjusted
13 if that distribution expanded.

14 With respect to Youbet, we have had friendly
15 discussions, I think, with Mr. Lenesky, and we are apart
16 right now, but we're willing and we talked about this in
17 the last 24 hours, to go back to the table, and certainly
18 in the next month and see if we can work something out
19 that's fair to the people that we do represent, the
20 horsemen of California. And so I think that's about all
21 that could be said at this point.

22 MR. LICHT: Well, I would like to encourage Youbet
23 to work with John Reagan and with TOC and solve these --
24 what we see as missing or what I see as missing issues in
25 your application and to update the application for our
26 next meeting. I think the areas are obvious with the bond
27 or the financial security. The TOC, and the uh -- being
28 the agreement with horsemen, and the assignment or

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01 whatever you're using as your contract with a live race
02 meet, to make sure that's really clear and understandable
03 to all of us in advance of the meeting.

04 I mean, any comments from Bill?

05 MR. BIANCO: I'd like to just want to find out what
06 the state of California's economy right now. I'd like to
07 find out just how many jobs you're going to create in the
08 state of California, or how many are we going to, you
09 know, lose in the state of California?

10 MR. LUNIEWSKI: (unintelligible) just to be clear.
11 We are currently headquartered in California. I guess, as
12 I mentioned before, we employ 70 employees.
13 The macro answer is, as our business grows we
14 will add more people, as it relates to running our
15 operations, including customer service, what we call racing
16 operations and the software developed. So we'll certainly
17 employ people there.
18 We have seen in our past operating history
19 that as it relates to the current fan, we increased our
20 frequency, but we don't detract from them going to the
21 racetrack. People still like going to the racetrack, and
22 you know, socializing on a Saturday and Sunday. So we
23 don't necessarily believe that there will be any impact to
24 the racetracks.
25 If you look where I work today, I'm in
26 Woodland Hills. If it's a Wednesday, and I want to place
27 a wager, I've got to drive to the Ventura County OTB or
28 Hollywood Park. You know, it's probably two-hour round
0032 trip. I'm just not going to go, but if I can do that
01 while I'm in my office, I'll do that. So that remains in
02 the increased frequency. And we believe that we would
03 actually lift the overall jobs in racing because I am a
04 horse racing company.
05 MR. LICHT: Well, I'd like to have the
06 Board -- I don't need if we need a motion, Tom, to defer
07 ruling on this application to our next meeting so the
08 application can be updated. Do we need a motion for that
09 effect or do we just -- okay. Ron.
10 MR. LICCARDO: Good morning. Ron Liccardo of
11 Pari-Mutuel Employees of California. Everybody -- we have
12 four items listed here needed to be completed.
13 MR. LANDSBURG: Please use the microphone, Ron.
14 can you get to it? Thank you.
15 MR. LICCARDO: Lower it for me. They have four
16 items listed. I don't see the item listed where it says
17 it has to satisfy provisions of AB471, that says anything
18 about labor.
19 Now, I don't think it says in there that
20 labor has to be adjusted on the back nine after everything
21 takes place. I believe labor should at least be talked
22 to, and we should know what is in the future for jobs or
23 what is in the present for jobs for us, not to be adjusted
24 later on.
25 So we're vehemently opposed to Youbet.com's
26 application. Thank you.
27 MR. BLONIEN: Mr. Chairman, my name is Rod Blonien,
28
0033 representing the Los Alamitos Quarter Horse Racing
01 Association. Most of the conversation this morning has
02 dealt with the Thoroughbred situation.
03 I would like you to focus on the Quarter
04 Horse part of the coin. We have an agreement with our
05 horsemen on behalf of TVG and Youbet. Dr. Allred has
06 already consented to the assignment and we would like it to
07 begin as soon as possible.
08 We would respectfully request that you
09 consider granting a limited license, so that they could
10 take advance deposit wagers on races emanating from Los
11

12 Alamitos. And Further conditions of the license on
13 satisfying requirements relating to the bond.
14 As you know, Mr. Licht, that you spent a lot
15 of time, staff has spent a lot of time trying to move this
16 along as fast as we could. It would seem that it would be
17 good to continue to move it along. I think the
18 requirement as it pertains to Los Alamitos is technical.
19 It's important, and I think they can provide you with the
20 surety that you need, and we would ask you that issue a
21 limited license for Los Al, conditions on them, giving you
22 the surety that you need. Thank you.
23 MR. LICHT: I appreciate your comments and I don't
24 think the law gives us that latitude, at least that's
25 my reading, Tom. I think it requires certain -- there are
26 certain requirements we have to fulfill. Again, I'd like
27 to defer this application. I'd like to hear a motion
28 unless someone with a contrary opinion is (unintelligible).

0034

01 MR HARRIS: I move that we table it to the next
02 meeting.
03 MR. BIANCO: I second it.
04 MR. LICHT: Seconded? All in favor?
05 THE BOARD: Aye.
06 MR. LANDSBURG: I abstain.
07 MR. LICHT: Okay. We'll do the best we can to
08 encourage the staff to work with you to make sure
09 everything is complete for the next -- right, John?
10 MR. REAGAN: Absolutely. (unintelligible)
11 MR. LANDSBURG: Thank you. I'm now back to feeling
12 comfortable about talking.
13 Our next is the Item 5, Discussion and action
14 by the Board on the Application for license to conduct
15 Advance Deposit Wagering by 2014 Delaware Incorporated, a
16 wholly-owned subsidiary of Magna Entertainment Corporation.
17 MR. LICHT: 20,000.
18 MR. LANDSBURG: So 20,014, sorry. Jackie would you
19 give the staff report.
20 MS. WAGNER: Jackie Wagner, CHRB staff. The
21 application before you is from the 20,014 Delaware
22 Incorporated. They have filed an application to function
23 as a California multi-jurisdictional wagering hub or
24 California hub. If granted the term of the license is two
25 years and that will begin once the application is
26 approved.
27 It should be noted that staff did receive
28 documentation effective 1/18, January 18 of this year. The

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01 20,014 Delaware Incorporated has changed their name to
02 XpressBet, that should be noted for the record. They're
03 proposing dates of operation from January 1 through
04 December the 31st inclusive. Their hours of operation will
05 be during all times races are run, which could be up to
06 24-hours a day. Their hub will provide services for the
07 following associations: LATC at Santa Anita; Capitol
08 Racing LLC at Cal-Expo; Bay Meadows Race Course; and
09 Pacific Racing Association at Golden Gate Field.
10 The analysis in your package indicates
11 outstanding items. I'd like you to know that we have
12 received the contract with the racing associations. We
13 have received the contract with Mountain Morrow Racing

14 Incorporated, the Washington Trotting Association. We
15 have received the contract or Letter of Intent with Track
16 Play LLC, and the gentlemen that needed to be licensed by
17 the California Horse Racing Board have indeed been
18 licensed. This morning we did receive Horsemen's Approval
19 from the TOC concerning this application. And we just had
20 one concern, and that concern was for the period of between
21 July 28th through 29th is not covered in the agreements.
22 At this point staff would recommend that the Board hear
23 from Magna.

24 MR. WOOD: We do have that bond?

25 MS. WAGNER: Yes.

26 MR. LANDSBURG: Can we have some discussion. Is
27 there discussion of this -- I have a number of things I
28 would like to say, are there audience discussion first?
0036

01 Our prime concerns -- I've indicated once
02 before, California has the opportunity to lead racing into
03 the survival world of the 21st century.

04 If California racing can somehow join forces
05 to share individual dreams of wealth and create and this is
06 where I feel that we are -- we may be in a position to miss
07 the boat. Unless we have concentrated programs and media
08 exposure that will bring excitement into racing to a new
09 generation, we should not go forward. If we do have the
10 ability to create exposure based on what we're doing here,
11 then I would look at it differently, but it is still
12 exposure of this Board, beyond the limit of the people who
13 are in those stands. And I would like to hear from
14 representatives of Magna how and what the distribution of
15 that signal will be.

16 And while you're preparing, please talk to
17 us. Be sure you talk to us. Because we're concerned on
18 behalf of the people who work -- all the people who work
19 around racing, all of the labor union people who work
20 around racing and we have a concern for them because they
21 are part of our constituency.

22 MR. LIEBAU: Mr. Chairman, my name is Jack Liebau,
23 President of Magna and California Operations.

24 As you know, or as you've been advised, our
25 application has been filed and all of the items requested
26 by staff have been delivered today. Magna urges the
27 licensing of every advance deposit wager provider that
28 satisfies the requirements. We believe that the California
0037
01 resident will be best served by competition in the
02 marketplace.

03 Today I have with me several people from
04 Magna Entertainment Corp, which I would like to briefly
05 introduce. They are Jim McAlpine, who's the
06 President and Chief Executive Officer of Magna
07 Entertainment; Ed Hannah, who's the Vice President and
08 General Counsel of Magna Entertainment; Andrew Gaughan
09 (phonetic), who's the Vice President of New Media
10 Initiatives; Bill Ridgens (phonetic), who's the Senior
11 Vice President of Business Operations and Affiliate Sales
12 of MEC TV; and Mark Gregory who's the Director of Player
13 Rewards; and we have Jessica Anderson who's the Director
14 of California Advance Deposit Wagering.

15 With that I would like to turn the

16 microphone to Jim McAlpine, who, as I indicated, is the
17 President and Chief Executive Officer of Magna
18 Entertainment.

19 MR. LANDSBURG: I would be happy -- I would just
20 like one clarification because you talked about, you know,
21 your agreement with TOC and the horsemen.

22 In part, number one, why is the agreement
23 stopped on October 31st or November 15, which would be --

24 MR. LIEBAU: Right. The negotiations with TOC,
25 they expressed the view that any sort of agreement should
26 only be for one year. I don't know whether that's the
27 same principle with respect to all other applicants. We
28 thought that the November 15th, deadline, which is a

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01 result of when the Bay Meadows meet concludes, would be a
02 better cut off date because it would make sure that we
03 have adequate time to negotiate a renewal of the agreement
04 with the TOC.

05 MR. LANDSBURG: Would John Van de Kamp comment,
06 just for me, because when I see an exception in his
07 signature saying subject to execution and delivery of
08 definitive agreement, is that what that word is? I
09 can't --

10 MR. VAN DE KAMP: That's correct. Yeah. This
11 agreement that was arrived at this morning, comes as a
12 result of discussions that have taken place really since
13 Cal Cup day back in November. And essentially the offer
14 that TOC made was accepted, in terms of his economic
15 terms. And there are some other provisions that would need
16 to go into the contract that we are in basic agreement
17 upon. I think Mr. Liebau can confirm this. And it needs
18 to be put into of sort typical contractual language. What
19 is a definition of a territory, for example, which is
20 there and some of the pieces that we have received from
21 them. But that needs to be placed in more of a formal
22 kind of agreement. That's what we meant by that. I do
23 not believe that the parties are apart.

24 One of the issues that came up was if
25 they're taking phone bets on track, then they should be
26 treated as an on-track bet, and we're agreement on that.
27 And that's been stated many times and that needs to be
28 placed in the agreement, and so the Horse Racing Board

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01 knows that and there's protection for all concerned.

02 I'll be glad to speak in a minute about the
03 economic terms of this, so people understand that. But
04 with respect to this date, we decided that we should have a
05 short-term contract with everyone. And this is not
06 inconsistent with that notion. Because we believe that
07 there is so much that's going to change in this coming
08 year, as they get up, as their distribution expands or not,
09 the changes in law here in California, as well as
10 elsewhere, that may take place, that will affect how we
11 proceed in the future. So that is the reason for that,
12 because we wanted to give this a chance to get up, if the
13 terms were right and if we could protect California's
14 horsemen; to make sure this is a plus for them, and I
15 believe that this agreement, as I'll explain in a few
16 minutes, we think we have.

17 MR. LANDSBURG: Thank you. Jim, I'm sorry I didn't

18 mean to hold you (unintelligible) but --

19 MR. MCALPINE: No problem, Mr. Chairman. It's
20 important you get all the verification you need. And I'd
21 like to just maybe modify your introduction of this is a
22 meeting of Need and Greed. We characterized it and I
23 think you used the word yourself, as a meeting of
24 opportunity.

25 We're very excited to be here at this
26 threshold of what could be the new day for horse racing in
27 California.

28 As you know, we have become a significant

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01 player in this business just over the last three years, and
02 have invested over more than \$300 million dollars in racing
03 in California and considerable sums to develop the
04 technology to combine our live racing content with what's
05 needed to go forward in the technology area for the future.

06 We congratulate you and your group, your
07 commission and the employees on getting to this day
08 because there was a lot of speculation that, in fact, we
09 wouldn't be here on January 24th. So congratulations on a
10 lot of hard work.

11 Also I'd like to congratulate my own team and
12 Jack introduced most of them, but they too have put in
13 countless hours over the last two or three months to make
14 sure that we are here and prepared today.

15 And finally, I'd like to congratulate the
16 TOC because of the negotiations we've had. They've been
17 constructive. We didn't always agree, but in the final
18 analysis we were able to strike a deal which we think does
19 respect all issues you've raised in terms of enhancing
20 racing in California and ensuring that this is not an
21 exercise in cannibalization, but as Mr. Van de Kamp will
22 explain when he outlines the economics. In fact,
23 California racing will not lose anything, even if it
24 turned out to be cannibalization, which we fervently do
25 not believe it will be.

26 I have taken the liberty of putting together
27 just a couple of overheads because I thought with this big
28 a group today, it might help to just give a quick overview

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01 of where we're at in this process and what we've
02 accomplished to date. So if you'll bear with me, I'd like
03 to refer to the slides.

04 (Video Presentation)

05 MR. MCALPINE: Basically, what I want to talk about
06 is MEC's account wagering experience. MEC's California
07 Account Wagering Operational and Marketing Plant and MEC's
08 Distribution status.

09 First of all, many of you know, that earlier
10 in 2001, we acquired a company called Ladbrook at the
11 Meadows (phonetic), and together with that company, one of
12 the assets we got was Call-A-Bet, an account wagering
13 system that has actually been in operation since 1983.
14 It's one of the longest standing account wagering systems
15 in the country. It's basically a live teller and
16 automated telephone system.

17 Today that company has 27,000 current active
18 customers, and we have an experienced account wagering
19 management team. We also provide the administrative

20 services or back office for Youbet's activity through the
21 Pennsylvania hub. And in total, we handled \$132 million
22 dollars of wagering through that business in 2001.

23 During this month, we have launched our new
24 brand for Call-A-Bet. It was referred to earlier, it's
25 XpressBet, and that's now the name of the applicant this
26 morning. And also this month, we launched XpressBet.com,
27 our online wagering platform.

28 XpressBet on track marketing and sales
0042

01 centers have been built and established at all MEC tracks
02 in California, and they will be open and operational the
03 moment that you tell us we can be in business.

04 This is just a demonstration of our new
05 logos and branding for XpressBet. This is just a picture
06 of what you see when you go to the Internet wagering
07 platform.

08 We have introduced live race video streaming
09 through our Internet platform. We've contracted with
10 world leading broadband video streaming service provider,
11 Digital Highland, and all MEC content stream via
12 XpressBet.com and all MEC tracks will be included.

13 Digital Highland has multiple-server
14 locations across the U.S. and what that enables us to do,
15 is it enables us to provide better quality service to our
16 customers. They're not all coming to one location, but
17 they're going to different hubs across the country.

18 This is a picture of the account wagering
19 center that has been installed at each of our racetracks,
20 just to give you a sense of what it will look like. And we
21 have developed the on-track management and trained staff has
22 been hired to market and sale ADW to California horse
23 racing customers.

24 In the Spring of this year, we'll introduce a
25 new, state of art, voice recognition system, and I'd like
26 to if I could, just quick you a quick example of this
27 system. There's a lot of technology that's been developed
28 around the world and we've actually searched the world

0043
01 looking for the best technology to serve our platform.

02 I'm going to play a bet call for you.

03 (Presentation on Audio)

04 MR. MCALPINE: That's actually a live bet being
05 transacted. The mail voice was the customer and the
06 female voice was the machine. You might wonder what the
07 accent is, it's neither American or Canadian. Because the
08 company that developed this technology is an Australian
09 company, and they're in the process of teaching their
10 computers to speak -- call it North American English as
11 opposed to Australian English and that system will be
12 available and up and running on our platform in the next
13 couple months.

14 In terms of MEC's TV programming experience,
15 some of you may know that we have a racing channel, called
16 the Meadows Racing Channel that runs 12 hours, daily, year
17 round, providing horse racing, distributed to 650,000 homes
18 in Western Pennsylvania on analog cable. We also
19 broadcast that same show six hours, weekly on DIRECTV to
20 12 million U.S. homes.

21 In California we produce Santa Anita Live.

22 A daily, one-hour, live, horse racing broadcast on FOX
23 Sportswest 2, which is distributed to three million cable
24 homes across the L.A. basin. And it's produced by our
25 production award winning team at Santa Anita.

26 We're also participating in a private
27 satellite horse racing service being launched by Roberts
28 Communications Network, Inc. The company is not going to

0044

01 be called NEWCO TV, they're in the process of registering
02 the name today, so I'm not at liberty to say what the
03 company's name is, but it will provide eight channels of
04 horses racing. The service has actually been launched
05 today, and it's in the free preview mode through the end
06 of February. As far as our involvement in this channel,
07 we will provide two live horse racing channels and one
08 live odds channel, out of the eight channels being
09 provided, as well as the video streaming. This channel
10 will be produced out of our Bay Meadows facility.

11 We've also added to our staff -- as you know
12 this is a complicated business and in order to make sure
13 that we not only have the right technologies, we've gone
14 around to make sure we find the right people to get the
15 job done.

16 We recently added to our team, actually a
17 fellow named Bill Bridgen. Bill's here with us today.
18 He's the Senior V.P. Business Operations and Affiliate
19 Sales of our division called MEC TV. Bill's a former V.P.
20 Affiliate Relations of FOX Sports Net and FOX Cable
21 Networks located in L.A. And we are today actively
22 negotiating cable and satellite (unintelligible) deals
23 across the U.S. with our initial focus being in California
24 for the MEC TV channels.

25 We are 100-percent committed to horse
26 racing. It's the only thing we do. And we're 100-percent
27 committed to horse racing in California. We believe that
28 this is an opportunity for us to expand the customer base.

0045

01 This is not about taking the same customer and recycling
02 them through a new system. This is about growing the
03 business. The discussions that we've had through these
04 negotiations with the TOC and the couple of things that
05 were mentioned as it required to be in the definitive
06 agreement, I think reflect the seriousness of our interest
07 in pursuing this opportunity. We are not trying to
08 cannibalize anybody's business. We're trying to grow the
09 business and we're committed to growing the business, and
10 we've made a financial arrangement with TOC that we think
11 reflects and respects that objective.

12 Thank you Mr. Chairman.

13 MR. LANDSBURG: Do you have other comments from
14 your group?

15 MR. MCALPINE: No, not at this point.

16 MR. LANDSBURG: I believe Mr. Van de Kamp
17 promised a vision of the financial arrangements that have
18 been proposed.

19 MR. VAN DE KAMP: Mr. Chairman, as I said a few
20 minutes ago, and again, John Van de Kamp of TOC, we
21 approached each of these entities pretty much on their
22 distribution. I think as you see here -- where they're
23 going on television remains to be seen. They seem to be

24 establishing, and I applaud them for this, at the least
25 program that will eventually get them on television. I
26 think they'll find as TVG has found, that it is hard to do
27 that. But that, and this is where I fully agree with Mr.
28 Mr. Landsburg, is the name of the game for the future of

0046

01 California horse racing.

02 As we approach this with them, we wanted to
03 make sure that this was all upside for California's
04 horsemen. That they were protected adequately. If there
05 was to be cannibalization that the rates were such that it
06 was all upside. I think that the agreement that we
07 reached, will do that. According to the numbers that
08 Wilson Shirley (phonetic) has provided to me, based on the
09 contract that has been agreed upon this morning.

10 A California ADW wager on a California race,
11 will produce over 5.9 percent to purse revenues here in
12 California, which is essentially equivalent to what a
13 California on-track bet would be for Win, Place and Show.

14 A California ADW bet, this is from
15 California and betting on an out-of-state race, would
16 produce 5.437 percent, which is above what you would
17 get -- what we would get in terms of purse revenues from
18 an off-track bet at a simulcast facility here in
19 California. And I think the biggest change in all, that
20 really reverses where we had been for many years, is what
21 happens to the out-of-state bet on our race or races.

22 Today we get the paltry sum, at the end of
23 the day, about 1.6 percent on the average for an
24 out-of-state bet on our races. And indeed California is
25 in that export. We sent something like four times as much
26 money, in the sense out of state as we bet on out-of-state
27 races here. And the result is that most of the handle on
28 those out-of-state bets on our races is kept there, not

0047

01 here.

02 But under the agreement that we reach, we
03 would have a very substantial host fee that produces
04 virtually double what we would get today from a simulcast
05 bet from out of state. But more important than that, once
06 we get beyond the territories that are defined, there's
07 about 25 miles from the effective racetracks with any
08 agreements that MEC has, there would be no territorial
09 access fees, and the rate we would get back in California
10 in those situations for purse revenues would be 5.6
11 percent.

12 I did some quick arithmetic and I had to do
13 some hypotheticals, but it's going mean for us in
14 California, in terms of Purse Revenues, two to three times
15 as much as we get today from simulcast betting that takes
16 place out of state on our races.

17 We're very adequately protected against any
18 type of cannibalization by this kind of economic
19 agreement, and we believe that this is only an upside for
20 us. We also would tell you, without getting into the
21 exact numbers, that we have encouraged MEC to primarily
22 focus on the California racing market. And so what they
23 get as an ADW provider will be more for bets that are
24 placed by Californians on our races or out-of-state people
25 betting on our races. That is intended to provide an

26 incentive towards promotion of the California racing
27 product, both within the state and out of state. We
28 cannot tell you at this point whether that will work or
0048
01 not, it's going to be up to MEC, but they have great
02 incentives to make it work, and I'm pleased with the
03 presentation that they made today. That they really
04 intend to focus on California, and as well they should.
05 Because the market that has opened up here, is such an
06 enormous one.
07 But I think the important thing to remember,
08 at least in terms of -- for the horsemen today, this is all
09 upside, and we're pleased that the agreement was reached
10 this morning. And I think we seem to be in sync on the
11 definitive agreement.
12 MR. LICHT: John, the 1.6 percent that you say
13 comes back, that's what coming back with a purse from out
14 of state, it's about the three and half percent, 3.2
15 percent, I guess it would be?
16 MR. VAN DE KAMP: It's about three-and-a-half
17 percent because the State will take eight percent,
18 breeders get three percent we get -- we still get the
19 track -- what's left over. But this is not the figure
20 that I'm talking about today -- any where from 100 to 200
21 percent.
22 MR. LICHT: What about the term of the license --
23 this is really for Jim McAlpine -- what if -- what makes
24 your interpretation of the law that you don't need a --
25 an agreement with the horseman for the length of the
26 license, we would like the license to be two years.
27 MR. MCALPINE: There have been owners in
28 California that their offer was restricted to one year, on
0049
01 the basis that landscape as they put it, would probably
02 change within that year. We have no objection to that.
03 And we would have no objection if the license was limited
04 to one year or conditioned -- I'm sure it would be granted
05 as a two-year license that the license would be
06 conditioned upon the agreement with TOC being renewed for
07 the period of the license.
08 MR. LICHT: And then the other issue that I
09 have to discuss, and I'm definitely impressed by Jim and
10 Magna's presentation about the growing business of new
11 customers in California, and having the California
12 broadcast site at the Meadows, but this NEWCO TV that we
13 talked about, or you talked about, and it sounds
14 wonderful, but where is going to be? I mean, is it going
15 to be on any satellite? Is it going to be on Dish
16 network? Is it going to be --
17 MR. MCALPINE: I'm going to ask Andrew Gaughan, Vice
18 President of New-V Initiatives to answer that question,
19 please.
20 MR. GAUGHAN: Yeah. What we're -- what we've done
21 is Roberts has a lease in place for a satellite on Galaxy
22 (unintelligible) on the (unintelligible). In fact, it
23 used to be TRN, TRN Direct. So there's approximately
24 3,000 customers out there that have access to this program
25 effectively today are viewing the racing programming,
26 including the MEC product on that service. So we're going
27 to run it as a free view through the end of February and

28 then they will be a subscriber to the service thereafter.

0050

01 MR. HARRIS: That's like Galaxy 3 is a big dish
02 satellite, we're not really talking about a, you know,
03 home, small dish satellite?

04 MR. GAUGHAN: No. In fact, Mr. Harris, it's a small
05 dish satellite. It's coming off the cave side, so it's a
06 high-powered satellite, and the TRN direct antenna is
07 under a meter in size.

08 MS. GRANZELLA: Can you tell me what
09 a (unintelligible) is?

10 MR. GAUGHAN: It's a -- you know, it's a technical
11 term, it's -- it's an indication of the wave length size.
12 It's essentially a smaller wave length to satellite
13 service --

14 MR. HANNAH: Paul Hannah, General Counsel at MEC.
15 All of the HBO product is transmitted off that.

16 MR. HARRIS: Could I -- my main concern is could a
17 California customer sign up for something and get it?

18 MR. GAUGHAN: Yeah. The footprint of the satellite
19 is across the United States. So anyone in California can
20 subscribe to the dish and receive the service.

21 MR. LICHT: Well, I'm satisfied with the financial
22 negotiations that TOC had with Magna, but to me the
23 essential element is a commercially reasonable means of
24 dissemination of the product. I mean, I think that's
25 really critical to expanding the fan base. And I'm not
26 satisfied at this point. I'd like to hear more from you
27 about how you're going to generate new fans through -- I
28 mean, somebody that you -- you anticipate a new fan is

0051

01 going to buy this second satellite to put in his home, to
02 watch the races? How do you intend to do it?

03 MR. GAUGHAN: I think the answer to the new fan, and
04 we're aggressively pursuing this, we are -- with Bill
05 Bridgen on the Board, we're in active negotiation with
06 MSO's for digital carriage of our channels on a broader
07 base --

08 MR. LICHT: What's an MSO?

09 MR. GAUGHAN: Multiple system operator.

10 MR. HANNAH: An MSO -- Ed Hanna, General Counsel
11 again, an MSO is the factory name and AT&T a charter, a
12 cost. It's a multiple cable distribution system.

13 MR. GAUGHAN: So we are, as I say, pursuing a
14 carriage of these channels on a broad distribution basis,
15 so that the general public and the new fans can receive
16 the program service going forward.

17 MR. LANDSBURG: At the moment though, it's a bit
18 off. Would you say you have no agreements in place, it
19 does give that carriage. If you looked at your
20 (unintelligible) -- I want to go back one step, before we
21 go onto that.

22 Please Jim, explain this on-track wagering
23 platform that you are constructing or have constructed at
24 your racetrack?

25 MR. MCALPINE: Basically, it's a marketing tool.
26 It's a booth that's going to be enabled with
27 computer terminals. It's a sign-up station
28 (unintelligible) that were interested.

0052

01 MR. LANDSBURG: What's a sign-up station?
02 MR. MCALPINE: We got the capability to train them
03 there on how to use the Internet and how to use the
04 telephone, and so that's basically the purpose of -- to
05 begin the market. We'll also be able to market satellite
06 service from that station, and it will be the focal point
07 at our California racetracks.
08 MR. LANDSBURG: At your racetrack you're not going
09 to be encouraging people to buy your selective service,
10 but it's not a betting station, is what I understand --
11 MR. MCALPINE: No. It's not a betting station.
12 No, it's not a betting station.
13 MR. LANDSBURG: And therefore, with these purse
14 breakages you don't really have to -- or do you have to
15 worry about people sitting at their tables, taking out
16 their cell phones and calling your wager in?
17 MR. MCALPINE: Well, put it this way, you don't
18 have to worry because, in fact, the bet doesn't produce
19 less for the horsemen and that's the key part of the
20 agreement we signed.
21 We are so confident in this, Mr. Chairman,
22 and our confidence isn't just based on pie in the sky.
23 This is what we believe. It's based on honest experience.
24 I should have introduced my team more fully, but Andrew
25 Gaughan, Mark Gregory at the back, and Jessica Anderson are
26 three former employees of the Interior Jockey Club who
27 pioneered this same sort of business up in Canada. And
28 they've seen what happens with the introduction with
0053
01 account wagering in a new environment, and in that
02 specific example, there was not cannibalization, there was
03 absolute growth. And we're so believing in that that we
04 were prepared to give the sort of guarantee we've given in
05 this deal TOC. A pricing mechanism that insured, if we
06 were wrong, the horsemen make out the better.
07 MS. MORETTI: Could you address for us what where
08 we might be on growth for jobs with these new companies at
09 the new facilities?
10 MR. MCALPINE: Sure. I'd be happy to. We have
11 decided that the place to put our hub is California. We're
12 not putting this an Oregon hub, we're not putting it
13 anywhere else. We're putting right in California. It
14 will be operated through the Bay Meadows tote. I
15 mentioned that the Bay Meadows production facility will in
16 fact, become the production facility for our TV
17 production. So there will be jobs created as that grows.
18 There will also be technology investments because we'll
19 want to upgrade that technology over the years going
20 forward. There will also be a requirement to add staff,
21 not just marketing staff, but that's what we'll be doing
22 initially and we've got several people brought on staff
23 and employed to work the booths, to market the product,
24 and so we see growth, and we expect this business to grow
25 dramatically, and as it does the people we need to employ
26 will be here in California.
27 MR. LANDSBURG: Talk, if you would, address launch
28 timing. And we're sitting here at January 24th, as far as
0054
01 California goes. I'm not concerned with the rest of the
02 country. I'm only concerned with getting our message out

03 to Californians and back from Californians in every
04 respect, the horsemen, the labor pool, and the general
05 public.

06 MR. MCALPINE: We have -- expect, subject to you
07 granting us license, to be in business tomorrow marketing
08 this account wagering system. We've got tremendous of
09 marketing material developed. We've got a full sign-up
10 kit developed. We have -- got an advertising campaign
11 ready to launch through the industry media. We have
12 direct mail programs ready to launch through the major
13 communities in California. So we're basically ready to
14 run as of tomorrow morning, and we've committed several
15 hundred thousand dollars, close to a million dollars to
16 get that off the ground virtually immediately.

17 MR. LICHT: U.S.?

18 MR. MCALPINE: U.S. All our numbers are in U.S.
19 In fact, I can tell you that when we launched XpressBet,
20 for instance, which we launched about a week ago, it's the
21 same name across the country. Our Pittsburgh hub, within a
22 day and a half, had 473 new customers. So we think we
23 know how to market. We think we know how to get out there
24 and we move the needle pretty quickly, and that's what
25 were excited to do here in California.

26 MR. LANDSBURG: You're -- I think for a moment, I
27 just need a redefinition of "hub," because I've understood
28 hubs to be a number of things. We're talking about (A) a
0055

01 broadcast hub, what about the betting hub will be --

02 MR. MCALPINE: The betting company at Bay Meadows,
03 as well.

04 MR. LANDSBURG: At Bay Meadows.

05 MR. MCALPINE: It will be run through the tote
06 systems at Bay Meadows. That's right.

07 MR. LANDSBURG: And it will be totally automated?
08 Yes?

09 MR. MCALPINE: Yes.

10 MR. LANDSBURG: Totally automated?

11 MR. MCALPINE: Yes.

12 MR. LANDSBURG: That doesn't help -- oh, somebody
13 standing behind you (unintelligible) --

14 MR. LICHT: (unintelligible) need to be job wise.

15 MR. MCALPINE: It's a total (unintelligible) system
16 that is certainly manned just as the tote system is at any
17 other racetrack.

18 MR. LANDSBURG: Well, I asked if it was automated
19 in the sense, is there -- are there human hands on the
20 buttons, is what I meant by it?

21 MR. GAUGHAN: On the tote system? They're the
22 normal tote --

23 MR. MCALPINE: Right.

24 MR. LANDSBURG: -- in addition to what you
25 currently have at Bay Meadows?

26 MR. HARRIS: Is there a phone bet component or is
27 it all --

28 MR. MCALPINE: No. There's a phone bet component
0056

01 to assist you.

02 MR. HARRIS: The operator's (unintelligible)?

03 Mr. MCALPINE: The phone bet is an automated,
04 touch-tone phone system or it's a voice activated

05 telephone system. I showed you the new voice-activated
06 technology that we'll launch in the next couple of months.
07 MR. LANDSBURG: With a live customer service
08 backup?
09 MR. MCALPINE: Yes. There's a live backup.
10 MS. GRANZELLA: And it's live backup to the unions?
11 The (unintelligible) unions?
12 MR. MCALPINE: The back office support will be
13 handled through the Pennsylvania operation. So the
14 California business is the hub, the total hub in Bay
15 Meadows, it's the production facility at Bay Meadows, and
16 it's the marketing and ontrack growth of employment in
17 California.
18 The telephone system actually employs very
19 few because most customers choose to have the automated
20 side because it's much faster and when you actually see
21 the experience in Australia with this technology, and
22 you've heard the voice example, that's really what people
23 want to do. They want -- they're interested in getting
24 the bet placed correctly and quickly, and they view
25 technology as the way to do that rather than an active
26 human voice. That's no different in some respects to what
27 the banks are doing today that you pay your bills, and
28 talk to the machines.

0057
01 MR. LANDSBURG: You've got some (unintelligible)
02 you're talking (unintelligible) We all know about that.
03 Ron, do you have something add to that?
04 MR. LICCARDO: Yes. Ron Liccardo of Pari-mutuel
05 Employees of California. I think either I have something
06 incorrect or you're not hearing it quite the way I
07 understand it. I don't know. I think Jack will clear it
08 up right away, I'm pretty sure. The CallBet or XpressBet
09 will be sent back to Philadelphia. The signal comes back
10 to Bay Meadows, and goes into a tote system, not -- the
11 bet is not being called to Bay Meadows, I don't believe;
12 is that correct, Jack?
13 MR. LIEBAU: What do you mean?
14 MR. LICCARDO: Now. Not later on, but now?
15 MR. LIEBAU: I'm with you Ron (unintelligible)
16 clear.
17 MR. GAUGHAN: We set up (unintelligible) two tote
18 offices and the one in Bay Meadows will accept all the
19 bets, both through the automated telephone system and the
20 online system, all in the Bay Meadows tote here in
21 California.
22 If the customer has an issue and dials up --
23 hits zero and wants to talk to a live customer service
24 agent, they end up in the administrative offices back in
25 Pennsylvania. That happens very infrequently. I know
26 this first hand, from my Woodbine (phonetic) days, where
27 it was a completely automated system. Once they're in the
28 system, they toggle around, place their bet, and move on.

0058
01 But all those bets take place in California, from the
02 California up.
03 MR. LANDSBURG: Does that explain to you, Ron?
04 MR. LICCARDO: That explains part of it, yes. And
05 as you said so, (unintelligible), I believe earlier, we've
06 been on many thresholds in California to save racing and

07 bring new innovations, this is, like you said, another.
08 All the past history ones, labor has been in favor for and
09 labor hasn't done quite so well with.

10 As of yesterday, we have been negotiating
11 with Mr. Liebau for some possible jobs on track, not to do
12 with the hub. Because the hub as we understand and the
13 law, which is AB471, indicates the union (unintelligible)
14 historically does the job closest to the racetrack, gets
15 those jobs. That would be IBEW, New York Local 3. That
16 would not be us. So we were trying negotiate with Mr.
17 Liebau to get some jobs on track. And until we have some
18 kind of an agreement with Mr. Liebau and Magna, we have to
19 be opposed to the licensing of this application also.
20 Because right now, we have absolutely nothing in the
21 State. The jobs would go to somebody else if there are
22 any other jobs.

23 Thank you, sir.

24 MR. LIEBAU: Can I speak to that, please. I think
25 that we all realize that this bill, advance deposit
26 wagering could not have been passed without the full
27 support of the unions, and in particular Local 280.

28 So when we talk about jobs, we have to look
0059

01 at what is resulting from this. The basic agreement that
02 was entered into between the tracks and Local 280 provided
03 them with the security that they didn't otherwise have and
04 also compensation that they didn't otherwise have.

05 There is a Sunday premium that was paid to
06 some mutuel clerks, but not all of the mutuel clerks. It
07 was agreed that all mutuel clerks would be eligible for
08 that Sunday premium, provided that they had this sufficient
09 number of days.

10 There also was a system at the tracks where
11 the mutuel manager would put out a call for so many people.
12 If by chance the regulars didn't show up, and it started to
13 rain and we knew that we did not need that many mutuel
14 clerks, we did not have to fill that call. We now have to
15 fill that call with replacement people.

16 Most important of all, the union received for
17 the first time a manning clause, in the event that our
18 commissions remain the same as they were in 2001. They are
19 assured as many man hours as they had in 2001. So there
20 are some jobs there.

21 With respect to the jobs that Mr. Liccardo
22 has just mentioned, I have to say that this is something
23 that has been on the table from the very beginning. Mr.
24 Tunney and I met with Mr. Liccardo and his associates
25 about two months ago, and advised him of the possibility
26 of these jobs being available. And I'm afraid there was
27 some sort of misunderstanding in that Mr. Tunney and I
28 went away from the meeting thinking that because there

0060
01 were only a few jobs, and the jobs paid in the
02 neighborhood of \$12.50 an hour, that they weren't
03 interested in those jobs. It has subsequently turned out
04 that we were misinformed and given the wrong impression
05 and they are interested in those jobs. We have continued
06 to meet with them. We have given an undertaking to the
07 California Horse Racing Board that we will comply. That
08 we will fully comply with the provisions of AB40 and 471.

09 And in this -- and I'm sure, as has been in the past
10 because I think we have a history of a very good
11 relationship with Local 280, that we'll work it out.
12 In event that we are not able to work it out,
13 we are willing to submit that issue to the California Horse
14 Racing Board for binding arbitration. And we can think of
15 no better Commissioner to be the arbitrator than our new
16 Commissioner, Mr. Sperry, which I'm sure has to be
17 acceptable to Local 280. Thank you.
18 MR. LICCARDO: What Mr. Liebau alluded to was the
19 agreement of the ADW Bill 471. The provisions that were
20 agreed upon were only temporary provisions. Those were
21 spelled out exactly to say, for only the length of the
22 contract. Now, we obviously know that contracts are only
23 good for the length of the contract anyway, but they
24 wanted it known, that it's only for the length of the
25 contract. So our sunset -- they're ADW does not sunset as
26 (unintelligible) in the contract. They go on. Our ends,
27 our agreement on Sunday premiums, on replacing the clerks
28 and on the -- I forget what the third one was -- the
0061
01 manning clause.
02 MR. LICHT: But the license is only two years so
03 there isn't a sunset there.
04 MR. LICCARDO: What's the chances of them up and
05 running spending 10's of millions of dollars to get this
06 thing rolling and making money and you're refusing them
07 having it any longer?
08 MR. LICHT: Very good.
09 MR. LICCARDO: I appreciate that then, sir.
10 MR. LIEBAU: Mr. Liccardo, with your leadership,
11 the union has never taken a step back as far as
12 compensation.
13 MR. LICCARDO: Thank you very much. I appreciate
14 that. Yes, sir, I only have three years left and then I
15 retire. But to answer Mr. Liebau on -- when we discussed
16 earlier, which was November 29th, the night before the
17 CHRB meeting in Davis, we subsequently filed a grievance
18 with them in Tucson, Arizona. And we got a letter back
19 from the Labor Relation Director, Richard A. Hughes, that
20 we would sit down and discuss these jobs, and negotiate
21 some kind of classification. We have yet to do that,
22 except for yesterday, when we sat down yesterday. So
23 there was a follow-up to it to show that we were
24 dissatisfied when we came about it or we weren't happy
25 with or misunderstanding that we may have had at our
26 meeting in Sacramento.
27 MR. LANDSBURG: Wanna tie my shoe?
28 MR. LICCARDO: I mean, we -- we -- that's not our
0062
01 understanding that we turned down those jobs. I don't
02 think you'll ever hear Labor turning down a job. We're
03 willing to renegotiate. We're willing to talk about, to
04 try and upgrade a job, but not to turn down a job. That
05 wasn't our impression at all when we left that meeting.
06 MR. WOOD: Ron, how many jobs are involved?
07 MR. LICCARDO: We have no idea. Right now, we
08 don't know how many they're hiring for this kiosks that
09 they're going to running for these -- uh, of training
10 people. I don't think Mr. Liebau is too sure of how many

11 jobs there are because someone else at MEC is handling
12 that. But we're just looking for any jobs that we can
13 possibly get out of it.

14 MR. LIEBAU: I think that I'm now determined that
15 we're talking about 10 jobs or thereabouts. The law, as
16 I'm sure you're familiar with, requires that
17 classifications that have previously been unionized would
18 continue to be union positions. We think that there's
19 serious questions as to whether these positions fall within
20 any classification that is now subject to Local 280.

21 However, notwithstanding all of that, we
22 went to them at the very beginning, there was a
23 misunderstanding. We now are in discussions with them, and
24 we've always had a good relationship with them and have
25 been able to work things out, and we're willing to submit
26 it to binding arbitration in the event that we aren't.

27 So, I mean, I don't think there's a problem
28 and we're talking about 10 jobs, and we're talking about
0063

01 not whether they are 10 jobs. We're talking about whether
02 they're going to be 10 union jobs, and there's nothing
03 wrong with that because mostly everybody at our facility
04 is unionized. But we're not -- we're not talking about
05 these jobs not existing.

06 MR. LICCARDO: We also show that there's jobs
07 out -- has to be jobs out in (unintelligible) satellite
08 industry. Because somebody is going to want to sign up
09 Fresno, and how they going to sign up in Fresno, a person
10 (unintelligible) they can sign up at Santa Anita, they
11 can't. I guess they have to do it over the telephone, but
12 they don't do it over the telephone in Santa Anita, but
13 they'll be doing at the kiosk and learning on how do the
14 bets. Whereas, we take all the other satellites, I assume
15 that maybe not the real small ones, but the larger ones,
16 the Del Mar with 18 to 20 clerks working that has 1,800
17 people there. There may be somebody live they're signing up
18 people so that's why we feel like there may be more than
19 what's on track at Santa Anita.

20 It might be also -- how many people you have
21 signed up people another entity who'll be putting your
22 application later on today, which would be TVG, there may be
23 jobs over there people signing up for those also. So
24 that's where we're headed at, looking for some kind of
25 employment for our members.

26 MR. LANDSBURG: It's a serious question Jack and
27 it's a serious question for us to consider as part of the
28 license.

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01 I need to know that we have a time limited
02 in order to get in -- since you wanted the Board Member to
03 be involved, the time to be limited amount of
04 renegotiation or continuing the negotiations and the
05 larger plan from Ron as to what kinds of jobs that you do
06 rather than hold this long, long meeting and be able to
07 move it forward, limited in numbers of days?

08 MR. LIEBAU: Right. I would suggest that subject
09 to Commissioner Sperry, if he was in fact, going to get
10 volunteered for this, that his intervention, if we want
11 to call it, could be triggered at any point in time by
12 Mr. Liccardo.

13 MR. LANDSBURG: Well, I think we need in front of
14 this Board, a greater sense from Ron and from you, what
15 kinds of jobs we're talking about, what kinds of union
16 arrangements can be made, and that would fall to Mr.
17 Sperry, Commissioner Sperry, if he is willing to undertake
18 it, if he's not we may find another volunteer in the
19 audience.

20 MR. LIEBAU: Thank you.

21 MR. SPERRY: Thank you, sir.

22 MR. LANDSBURG: Therefore, I think you need within
23 a number of days that I have both positions set out so
24 that Mr. Sperry knows what he is arbitrating. And at the
25 moment, it's hard for him to know.

26 MR. LIEBAU: No question. We're willing to do it
27 three days, five days whatever number of days you want it.

28 MR. LANDSBURG: Be careful (unintelligible) leave
0065

01 that to the parties to determine the days.

02 I will take your comment in a moment. I had
03 one question here. Oh, I know what it was.

04 We never did complete, Andy. If you are to
05 go into business tomorrow based on a Board approval, how
06 many people would you be reaching in any sense of mass
07 media? Tomorrow, in California?

08 MR. GAUGHAN: I mean, that's always a hard question
09 to answer, but I can tell you that we have an extensive
10 marketing launch plan in place, which includes --

11 MR. LANDSBURG: No, that's an architect rendering
12 for development. I don't want architect renderings. I
13 would like specifics. How many people can you reach if we
14 said go tomorrow?

15 MR. GAUGHAN: Well, we can certainly reach all
16 of the customers that attend our racetracks tomorrow.

17 MR. LANDSBURG: No, I was talking about a media
18 opening where you could get people who haven't been to the
19 racetrack, where you won't be cutting up those people
20 again, to put them on telephone wagering booths. I would
21 like to know, how many people you feel you can reach? You
22 have agreements. They are in place and you're moving
23 forward.

24 MR. HANNAH: Ed Hannah, General Counsel again. At
25 the immediate time, the media reach that we have would be
26 the 650,000 homes that the Meadows TV channel passes in
27 Western Pennsylvania. The 12 --

28 MR. LANDSBURG: But that's not California. I'm
0066

01 talking about California.

02 MR. HANNAH: I just wanted to -- because that's the
03 same channel --

04 MR. LANDSBURG: I'm talking about California,
05 first?

06 MR. HANNAH: That same channel is on DIRECTV for six
07 hours a week, so it would pass every Californian home.

08 MR. LANDSBURG: That six hours a week doesn't cover
09 your racing?

10 MR. HANNAH: DIRECTV, no.

11 MR. LANDSBURG: So racing, live racing, the
12 excitement of racing --

13 MR. HANNAH: There's --

14 MR. LANDSBURG: What do we have?

15 MR. HANNAH: -- there's 3,000 world subscribers to
16 the satellite service. I'm not sure of how many are in
17 California, but they would have access, and the other mass
18 media that we have is through the Internet, which
19 basically is available to every home in California that
20 has a PC and an internet connection.

21 MR. MCALPINE: And in terms of marketing, not only
22 will we be doing the media advertising, the direct mail
23 pieces that I talked about, but within our own different
24 companies, we have a number of web sites and every one of
25 those web sites will also be pointed to XpressBet. So
26 that we'll be accessing all the customers who day-by-day
27 visit our web sites, and many of those people are not
28 people today who come to racetracks.

0067
01 MR. GAUGHAN: And, Mr. Landsburg, the other thing I
02 forgot to mention is the Santa Anita live program that
03 runs one hour daily in the L.A. basin to three million
04 homes.

05 MR. LANDSBURG: Post for five races. After five
06 races.

07 MR. GAUGHAN: Yes.

08 MR. LANDSBURG: Okay. We have a number of
09 comments.

10 There is no way -- when dinner comes around,
11 I'll let you know when we are going to have a break, but
12 until then, this is too important a moment in our time, and
13 in racing's time to just by it because we're tired of
14 hearing people speak. So it's going to go on as long as
15 you want it. If it bores you, I'm sorry, but it is too
16 important. We have comments coming from this gentlemen.

17 MR. GLEASON: Thank you. Larry Gleason,
18 representing the Concerned California Horsemen Group of
19 approximately a thousand owners, trainers, jockey's,
20 et cetera.

21 We our very concerned. We totally support
22 the opening statement of Commissioner Landsburg. This is
23 a great opportunity to grow our business in California,
24 not to cannibalize it, not to make it easier for the
25 regular bettor, the regular horse track or to wager a
26 little more or a little less.

27 We want to see how we are going to grow the
28 business. And growing the business, we as owners,

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01 trainers, jockeys, will all increase our revenues.
02 Growing the business will also increase jobs out on the
03 racetrack. We don't want to see cannibalization --
04 nothing is more depressing than going to the racetrack and
05 seeing, you know, 4,000 people at Santa Anita or at the
06 Hollywood Park and it's uh, totally depressing. You can't
07 bring a new person out there and have them feel enthused
08 or excited about it because it looks like a dying business
09 to them.

10 So we're very concerned about Magna's main
11 thrust, which we hear is just to market to their regular
12 customer. They're going to market at the racetracks, so
13 anyone who's going to the racetracks will be able to sign
14 up so that when you don't go the racetrack, you're going
15 to bet there any way. We really want to see -- we also
16 think it should be easier for someone to bet. There

17 shouldn't be three different systems. They shouldn't have
18 to being going through their dial, looking for various
19 channels of who they can see and where they can race, or
20 where, what and how do it. We've got to make it simple
21 for a new guy. It's just a matter of how we're going to
22 grow a new fan base? How are we going to do that, and
23 that is going to increase our revenues. Uh, whether we
24 get the same amount off track or on track, it really
25 doesn't matter. We've got to find a way for bringing new
26 people into this business.
27 And that's what we're very concerned about.
28 We don't think marketing to the fans that go now to Santa
0069
01 Anita, or Golden Gate or to Hollywood Park or anyone is --
02 that's just -- we have them already. Where are we going
03 to get the new bettors from? Where are we going to get
04 the new fans from? We haven't heard anybody here really
05 address that portion, that's our main concern.
06 Thank you.
07 MR. LANDSBURG: Thank you, Mr. Gleason.
08 MR. MCALPINE: Maybe I can try address that
09 quickly.
10 MR. LANDSBURG: No need for quick, let's get it
11 right.
12 MR. MCALPINE: No. I didn't mean that
13 disrespectfully.
14 What we have done, and we agreed with this
15 gentlemen that the real challenge is getting new customers.
16 A lot of things that we have embarked on over the last
17 three months is the tremendous amount of research, we've
18 done focus groups here in California. We've done focus
19 groups with bettors. We've done focus groups with
20 non-bettors. We've done focus groups with women. We've
21 done focus groups with men. We've done focus groups with
22 different age brackets to try to determine how do we go
23 and get those customers. Those focus groups have cost us
24 hundreds of thousands of dollars.
25 We're taking that research to the next step
26 to develop a marketing program. With outside marketing
27 experts who will be good at growing retail businesses.
28 Because in our view this is like a retail business.
0070
01 MR. LANDSBURG: Anyone who worked with K-Mart?
02 MR. MCALPINE: No. We haven't gotten to those
03 people. But we seriously, have undertaken a great deal of
04 research, and we too our committed to the new customer,
05 which is why we do direct mail drops. We're not solely
06 talking about existing customers.
07 But we also believe, and our experience
08 tells us and the previous applicant mentioned as well that
09 there are many horse players who will go to the track a
10 certain amount of the time. That's not the only time
11 they'd like to place a bet. There are other times they'd
12 like to place a bet, and these services will give them
13 access to place that bet legally at those times. And that
14 will be incrementally handled. And again, we've seen
15 enough from some of these other jurisdictions, that we
16 believe this.
17 MR. LANDSBURG: I believe that a new bettor will
18 make new inroads. I believe that reaching that new better

19 with the best of all possible marketing programs, will get
20 you somewhere between two and three percent returns.
21 That's been the probability.
22 The distribution system that gets us out into
23 the public, so that you can say to a much larger, 22
24 million adults in California, is what we have to reach.
25 Now, that's all well and good to tell me about a marketing
26 program, but you're going to reach one-and-a-half maybe
27 two percent, and I don't know how many of those are going
28 to become customers. If you really want to relate it,
0071
01 it's probably one percent of them.
02 But based on past marketing experience, what
03 I try to make clear is that we are here to issue you a
04 license. We look to ADW as a possible way to help this
05 industry, but if what we're doing is simply looking at a
06 very small potential customer base because very little, if
07 anything, has been done about outreach, then I have grave
08 warnings to you. I'm not happy.
09 As an individual Commissioner, I am not
10 happy. I'm unhappy. Because you are not making this
11 business known -- there's two generations that don't know
12 this business. Two, not one, but two. They don't know
13 it. They have no idea what the fun and joy and
14 excitement -- they don't heroes. They don't know the
15 horses. They don't even know where the racetracks are.
16 So sitting here and telling me that we'll get all this
17 advance deposit wagering money, and I want to say to you
18 that I applaud the deal that you've been made with the
19 horsemen. I think it is groundbreaking. I think it's
20 what long been needed for horsemen, we new money was
21 coming in, otherwise we're going to die out there on the
22 vine as horsemen. But I really must insist that somewhere
23 there is a way to communicate with a larger public using
24 this lever, this ADW lever as a way to get there. Because
25 if we don't, we're doing a
26 disservice to racing and we're doing a disservice to the
27 people.
28 So I want to make that clear based on your
0072
01 description.
02 MR. MCALPINE: And again, you know, I don't think
03 among the applicants anybody frankly, has a greater
04 interest than we do. We've invested three hundred million
05 in physical assets in California where the races are run.
06 So we definitely want to bring more people to the tracks.
07 MR. LANDSBURG: I applaud that. I just don't like
08 the mechanism at the moment, which we're being asked to
09 put into effect to make Greek salad, out of -- with a due
10 respect to the Greeks. To make a chop salad -- to make a
11 chop salad out of the audience. And I hope that we can
12 take them out of the cob salad (unintelligible).
13 So I've now said my piece, there are other
14 people who want to speak, and I must listen.
15 MR. BADOVINAC: My name is Greg Badovinac,
16 B-A-D-O-V-I-N-A-C, a private citizen. I do want to
17 commend the Board for its outstanding work on this of the
18 set regulations that you passed. The staff worked really
19 hard. I may disagree with one part, but you all did a
20 really great job getting this out in record time.

21 The problem I have with the three
22 applications today, and I'm not here to oppose or to
23 support any of them, is nowhere will one account cover
24 every racing association in California. There's is
25 nothing on the proposal here that will allow me, a horse
26 racing fan in California, existing to make a bet on the
27 bulk of the Northern and Central California fair circuit.
28 In the current proposal before you, the last
0073
01 line of page 1 says that because there is no contract for
02 the bulk of August, they will be ineligible to accept
03 advance deposit wagering during, you know, late July to
04 late August. Well, what's that going to do for me who's
05 got an account with them should I choose to operate with
06 them. First of all, I'm not going to be able to bet on
07 anything in California, so even if I can bet through the
08 system, if it's legal, I'm going to be betting on
09 non-California races.
10 We need to be able to have multiple entities
11 compete for the consumer's business, where one account will
12 take care of, maybe not every racing association, but at
13 least the bulk of them.
14 Otherwise we're going to have a problem that
15 when Magna's tracks finish their season, and if a new
16 person comes out and they go to one of the other
17 associations, they call up and say, "well, we can't take
18 your bet." That's going to turn off the new people that
19 the Chair is seeking to get. So we do need to, you
20 know -- everybody's got a business interest to grow up
21 their company as best they can, but we need to look out to
22 the fans, so that, you know, you don't need two accounts.
23 MR. LIEBAU: Mr. Chairman, just so it can be noted
24 and Mr. Korby is here. We are in discussions with the
25 California Association and Racing Fairs, as you operate
26 the fair races on a nonexclusive basis. And I would hope
27 that they will result in that XpressBet cover the fairs
28 during the summer.
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01 MR. LANDSBURG: Thank you.
02 MR. HALPERN: Ed Halpern, California Thoroughbred
03 Trainers.
04 Mr. Chairman, Commissioners, we have submitted
05 letters to the Board and I would ask that those letters be
06 included in the record, as opposed to reading those
07 letters in the record.
08 (Letters submitted to the Board and are
09 attached hereto.)
10 MR. HALPERN: First, we would ask that any action
11 be deferred, pending a full review of all the terms of any
12 contracts that affect the horsemen or affect racing in the
13 state of California.
14 This Board has been appointed as the
15 guardians of the industry, but that is not meaningful,
16 until there is a review and an understanding of the terms
17 and conditions of the individual contracts that may affect
18 racing.
19 I'm certain that you will agree that approval
20 of license agreements that create a new form of wagering is
21 not just a ministerial act. The ADW concept is a newborn,
22 and it's incumbent on the Board to see that all of the

23 details are subject to public scrutiny.

24 I believe the Board would be derelict in its
25 duty if it did not review these agreements. The fact that
26 the contract, an issue with this application was just
27 signed this morning, has not been seen by the Board, has
28 not been seen by my organization, and by the way, we

0075

01 represent 800 trainers who own thousands of horses in this
02 state and have had no say in this agreement, and also have
03 had no -- prior to last night, have had no indication of
04 any of the possible terms of the agreement, and even as of
05 this morning have no knowledge of the terms of the
06 agreement that was proposed by the TOC. That was all kept
07 secret until this morning, which does not help us, and I
08 don't think it will help the image of racing or the image
09 of the Board that a secret agreement is approved at the
10 last minute, without time for review by all the parties.

11 Secondly, I'm asking that -- we're asking
12 that no licenses be granted until an agreement is reached
13 with all horsemen and that includes horse owners who
14 happen to have a trainer's license, horse owners who are
15 spouses of trainers, and trainers themselves.

16 As I said, these parties own a very large
17 percentage of the horses racing in California. And as you
18 know, they're currently excluded from the process.

19 As detailed in my record -- I'm sorry, in my
20 letter, we'd object to any approvals, as we believe such
21 approvals would violate the Interstate Horse Racing Act,
22 and be violative of the guarantees of due process and equal
23 protection.

24 Some agreements are covered by the Interstate
25 Horse Racing Act, and others are so steeped in interstate
26 commerce and state action that basic constitutional
27 provisions come into play. The opportunity to be heard.
28 The opportunity to understand. The provisions of the

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01 agreements between the parties.

02 Whenever Horsemen's Approval is required, the
03 current system fails on a constitutional basis. This may
04 well be the greatest thing that ever happened to horse
05 racing. The deal that was made between Magna and TOC maybe
06 a terrific deal, but at the moment we don't know it. It
07 may even be too good to be true. We don't know all of the
08 details of that contract. And apparently, from what the
09 parties have told you, they don't even know all the details
10 of the contract.

11 It was pointed out that the contract's not
12 complete because we haven't defined what is a territory.

13 There's an issue of accepting a phone bets on
14 track and that they will be considered on track bets not
15 phone bets. How is that to be enforced? What provisions
16 in the contract let us know that we're protected in that
17 situation? Without reviewing what has been agreed upon, we
18 cannot know any of these details. And therefore, we would
19 ask that you take no action on these applications today.

20 MR. LANDSBURG: Thank you. May I ask a couple of
21 questions out of you. One, you ask that your letter be
22 put on record, but I'm not sure that they're two letters
23 from you. Is it January 18th or January 23rd?

24 MR. HALPERN: Thank you. I would ask that both

25 January 18th and January 23rd, both, both be put on
26 record.
27 MR. LANDSBURG: The two letters will be put on
28 record.

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01 Now, has there been any discussion since you
02 learned of this about -- we had discussed at great length
03 your letter and your complaint. That did not go unheard,
04 Mr. Halpern.

05 MR. HALPERN: And thank you, and I appreciate that.

06 MR. LANDSBURG: In trying to define the legal basis
07 for the conversation, it goes beyond the expertise of
08 individual businessmen.

09 We've asked the A.G. to look at it, the
10 initial reading is that within in California you may or
11 may not have a constitutional right or legal right for
12 outside of California, you might have, you might not. I
13 don't want to be the arbiter here.

14 I would ask that because we are trying to get
15 together as an industry that you now know that there is a
16 proposal out in front, that you make it your business to
17 discover that because you have the right to discover that
18 proposal and to bring it to your group, to the CTT. I
19 agree that you should have known something, but as to
20 having a legal voice in it, I cannot discuss that. I don't
21 want to go into it because I think it's far too complicated
22 for us to make that determination.

23 So I can't order you to be part of the
24 negotiations as far as California is concerned, but I can
25 respectfully ask that if we're going to come together as an
26 industry that you and your organization be made part as a
27 gesture of goodwill to the rest of the industry, to what is
28 going on. And that your comments be taken into account.

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01 I have um -- I appreciate your coming
02 forward. I understand the plight. I understand the legal
03 grounds. And I don't understand why there wasn't
04 communication with you, but that will remain to be heard
05 by this Board throughout this day, so there will be more
06 to be said about this. And thank you for your comment.

07 MR. HALPERN: Thank you. I appreciate the comment.

08 MR. LICHT: I'm satisfied with the deal points of
09 the letter between TOC and Magna, and I don't think that
10 there's much wiggle room. I think that the horsemen are
11 adequately protected from a financial standpoint.

12 I'd like to hear TOC and from Ed regarding
13 this idea of the dissemination of the product. To me the
14 industry obviously is a highly regulated industry, as such
15 we have the discretion to do what's best for the industry.
16 Best for the industry, of the fans, the horsemen, the labor
17 and the State. And I really do think that TOC's
18 negotiations create a fair platform for the wagering dollar
19 with the horsemen.

20 What I'm really concerned about is this
21 dissemination notion. I think that TOC and CTT should and
22 this concerned fan group should express their -- and
23 concerned owners group should express their opinions on
24 that area.

25 MR. HALPERN: Not having been privy to what went on
26 in the contract negotiations, I'm really at a loss to give

27 you much help, except to say that we certainly support the
28 widest possible dissemination, whether it be done by -- is

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01 your question in reference to whether it be done by one
02 organization or --

03 MR. LICHT: No, just a general question, if
04 you feel that Magna's proposed distribution is
05 commercially reasonable in the sense that we justify the
06 issuance of the license to them?

07 MR. HALPERN: What I understand of Magna's proposed
08 distribution, it's very limited. And, you know, from a
09 businessman's point of view, since there are other people
10 out there who are willing to give us a much broader base
11 of the dissemination, I'm not comfortable with the fact
12 that we'll be getting into a situation where we are very
13 limited as to the audience that we'll be presented to.

14 MR. LANDSBURG: Thank you. Excuse me, John just
15 for a second.

16 We've all been sitting for a little over two
17 hours, which may make some of us edgy just to get a break.
18 So I'm going to take the next three people and then hold
19 further, and ask the Board that no discussions will go on
20 among the Board members concerning the deliberations that
21 are going on, so that we continue deliberation after a
22 break. But we will take the three comments.

23 MR. VAN DE KAMP: Do you want to take those three
24 first, I'll (unintelligible).

25 MR. LANDSBURG: You're one of the three, John -- or
26 do you want to hold your --

27 MR. VAN DE KAMP: I'll be brief. Simply to say, if
28 I were an architect of the grand plan, what is

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01 going on here today is not the optimum. We're not
02 reaching 22 million people from any of the providers.
03 We're basically getting a start, and the pricing with
04 respect to Magna and MEC who is, in a sense, based on that
05 notion, but the short-term nature of the contract is to
06 act as an incentive so they get up and they get broader
07 distribution.

08 Basically, the legislation that was passed
09 was vendor-neutral. And unfortunately, the parties have
10 not been able to get together, to exchange signals or to
11 prevent, I think as the witness said a few minutes ago, to
12 have say, let say a single account that could be accessed
13 with respect to any race in California, which we believe
14 would be very much preferable; we would encourage MEC,
15 and TVG, and Youbet to work together, you know, to do that
16 kind of thing.

17 But it seems to me, you know, that right now,
18 we're operating on a little different track. MEC wants to
19 get up. They want to compete. And we're going to give
20 them a short time to get up and see how they do. And I
21 think the same offer has been made to TVG as well as to
22 Youbet.

23 So we're here not to oppose their
24 application today. We support it. That -- in the sense
25 that we think it's good for horsemen. That it's the toe
26 in the water. It's not as far as we'd like to go. But we
27 would like to see a lot more from every provider that's
28 here today.

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01 MR. LANDSBURG: Thank you, John.

02 MR. MORGAN: Good morning. My name is John Morgan,
03 and I've owned and operated a company called SoCal
04 Sportsbook, which is involved with Internet horse racing
05 and handicap. It has been for five years. And I'm a
06 professional horse player. The reason I tell you that, I
07 think you'll understand when I tell you my comments.

08 First of all, before I start I'm in favor of
09 somebody getting approved today. I haven't heard TVG, so
10 I'm not going to say who it is, but please approve
11 somebody.

12 I think there's two issues that I have a
13 little problem with as I sit and listen. And I understand
14 the concern to bring new players to the horse racing
15 business. This isn't the answer to doing that. That
16 would be a whole separate meeting, and we aren't even
17 close to it. I mean, it's just not -- today isn't the day
18 to talk about new fans. This, in general, is going to
19 increase the fan base. It's going to help if these guys
20 are on TV and can get on basic cable, it will help, but
21 the new fan issue, this is not (unintelligible).

22 The problem you have today is that at the
23 break, I'm going to place my bets on my cell phone.
24 They're going to Aruba. You have to understand that
25 because, since January the 1st, when this was approved I
26 can't make a bet unless I go to the track or with
27 simulcast outlet. That isn't good enough. And there's an
28 awful lot of people, like myself, who are now betting out

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01 of the country. We have substantial amounts of money now
02 invested out of the country that we're just not going to
03 pull back in. So as we all sit here, worrying about, are
04 we doing this or that, the money is going out of
05 California and we need to have it here.

06 MR. LANDSBURG: I just want to say to you that
07 Board shares your concern -- has in the last three months
08 done more to investigate and find ways so that you won't
09 be able to or should not be able to continue your illegal
10 activity, which is betting on the phone.

11 MR. MORGAN: I'd like you to do that. So far you
12 force me to do that. See I used to be able to bet --
13 December 29th, I could make a bet.

14 MR. LANDSBURG: I haven't completed it but -- and
15 there's some in racing who unfortunately say, "well, at
16 least they pour the money back here through others
17 sources, and therefore, it's okay." It ain't okay. It's
18 terrible. And we want it cut off. And we're going to
19 work to that.

20 So I thank you for that comment, and just
21 know that this Board has already begun a process by which
22 we will do as best we can within the law to close down the
23 opportunity to bet offshore. Thank you.

24 MR. MORGAN: My point is not about offshore
25 betting, it's about allowing betting here.

26 MR. LANDSBURG: That's what we are trying to
27 determine.

28 MR. WYGOD: Marty Wygod of the

0083

01 Chairman of the, I guess the Concerned Horsemen's

02 Committee. I'm a little bit confused, so I'd like to
03 start of by just asking a few questions.
04 The first one would be to John Van de Kamp,
05 Mr. Van de Kamp, where are you?
06 MR. VAN DE KAMP: Right here.
07 MR. WYGOD: What is the net worth of this
08 Delaware Corporation that you recommend going into this
09 contract with -- the 200014, the current net worth as of
10 today?
11 MR. VAN DE KAMP: I think you would ask this
12 (unintelligible).
13 MR. WYGOD: Well, you're doing the negotiations
14 with them. You are recommending them. You would have to
15 know the net worth, the balance sheet of the company you
16 are dealing with that you're recommending.
17 MR. VAN DE KAMP: (unintelligible).
18 MR. WYGOD: What is the net worth?
19 MR. VAN DE KAMP: Make your presentation.
20 MR. WYGOD: Well, could you tell me what
21 the net worth is of the company that you're dealing with?
22 Is it a dollar, \$10, a thousand dollars.
23 MR. VAN DE KAMP: Mr. McAlpine, do you want to
24 address that. And by the way, you know, Mr. Wygod has
25 introduced himself as a leader of this organization. He's
26 also a Board member of the Del Mar Thoroughbred Club,
27 which he's certainly entitled to. It's a real honor. He
28 is also contracted with TVG.

0084

01 So, you know, that needs to be placed in the
02 record, too, today. Because at Del Mar Thoroughbred Club
03 has a contract with TVG. Mr. McAlpine, I think you can
04 answer the financial details on that.
05 MR. MCALPINE: XpressBet, Inc., which is the
06 companies current name is a brand new company. It's got
07 minimal capitalization, but is backed up by Magna
08 Entertainment Corporation and we can provide whatever
09 comfort anybody needs to support that statement.
10 MR. HARRIS: Well, what is the logic of having that
11 as a subsidiary versus doing it as a DBA or something of
12 Magna Entertainment?
13 MR. MCALPINE: Our overall corporate structure tax
14 planning, a whole variety of reasons suggested that we do
15 that, Mr. Harris. That's the way our whole company is set
16 up with a variety of subsidiaries.
17 MR. WYGOD: Thank you. In response to
18 Mr. Van de Kamp, just to clear the record, as I've said
19 publicly several times in the past, I'm -- number one, I
20 was not on the Board of Directors of Del Mar when they
21 entered into the agreement with TVG. I was not aware of it
22 at that time. I believe I was hospitalized at the time.
23 Secondly, I do have -- I've had in the past,
24 which is over a year ago, business transactions with the
25 parent company of major shareholder of GemStar News Corp.
26 Um, I've never had business transactions with GemStar or
27 with TVG, I'm aware of but (unintelligible).
28 As recently of two weeks ago, um, um, when I

0085

01 met with Mr. Stronich and the people sitting in
02 front of me, he did request five or six minutes to my
03 stallion (unintelligible). I sent him back a letter that

04 stated that the mares weren't up to par, but we could for
05 relationship reasons supply him with two mares to his
06 stallion, but that's the extent of my business
07 associations and my conflicts of interest. I was just
08 trying to understand, since Mr. Van de Kamp was
09 recommending this, at least if he was aware who he was
10 dealing with and what the net worth of that entity.

11 Um, this is a very difficult thing for me to
12 say, but, um, starting at 8:00 o'clock this morning, going
13 to 9:20 this morning I met with Ron Charles and Drew Couto.
14 And I'm going to honor what they told me off the record.
15 I will not repeat that. But I'm not going to honor
16 anything else that was said in that meeting.

17 And Drew or Ron Charles would like to come up
18 here. You guys want to come up. All right.

19 They told me that they were extremely
20 concerned in the relation to having a transaction here
21 with Magna. That they make up two of the three people,
22 along with John Van de Kamp, that I understood does the
23 negotiations.

24 At that time, at 9:18 today, they were not
25 even aware that there was going to be agreed upon deal.
26 That was at 9:18 this morning. They told me that they had
27 worked out good financial arrangements that had not been
28 agreed to by Magna, but they were really concerned with

0086 01 the actual contract with them, and that the devil would be
02 in the details.

03 Um, um, they were extremely apprehensive, or
04 I think the right word might be horrified, of having a
05 deal here with Magna based upon the cannibalization that
06 would take place. And then I find out that the Board has
07 approved a transaction. So that must have taken place
08 between, oh, 9:20 and the beginning of this meeting.

09 Thoroughbred racing in California is at risk
10 here, and I'm extremely concerned that the wrong decision
11 will be made. When you talk about no downside because of
12 the financial arrangements, this is one of the oldest
13 tricks in the books.

14 Can you imagine what takes place if they go
15 in, recondition the bettors at the racetracks to bet
16 through a new methodology, either through the phone banks,
17 or through the automatic -- whatever type of equipment
18 they put in, and then you intend to go ahead ten months
19 later, and you try to change it. They would have all the
20 leverage at that time. They would have changed the practice
21 of how the individual bets at the racetrack. And what
22 concerns me here is what they're doing. Their focus is on
23 the current betting public that goes to the races or to
24 the off-track betting.

25 I don't know want to be repetitive. I know
26 this was said before, but I don't see anything that they're
27 bringing to the table, other than creating something that
28 once it starts, you're not going to be able to end it at

0087 01 the of the year, in ten months, even if you want to. It's
02 going to create a new form, a new way of doing business.
03 They are going to have tremendous leverage at that time,
04 and you're going to be at a very disadvantageous position.
05 Thank you for your time.

06 MR. LANDSBURG: Like any good television program,
07 this is a perfect time for a commercial. We will
08 reconvene at 12:55. I again caution the Board. Members of
09 the Board, caution. Members of the Board, no discussion of
10 this outside this room. Thank you.

11 (A break was taken in the Proceedings at
12 12:43 p.m. and the Meeting reconvened at
13 12:59 p.m.)

14 MR. LANDSBURG: Ladies and gentlemen, the meeting
15 is now back in session.

16 Mr. Couto had raised his hand and we couldn't
17 hold for the commercial. So having known what has been
18 said by previous speakers, Mr. Couto is here to speak. You
19 have the microphone.

20 MR. COUTO: Thank you, Chairman Landsburg, members
21 of the Board.

22 My name is Drew Couto, I'm the Director of
23 Thoroughbred Owners of California. It's been
24 four years since I was at my last CHRB meeting, and at
25 this moment I've never been so happy to be here in my
26 life.

27 Anyway, this morning I would just like to
28 respond from for a moment to Mr. Wydog's comments.

0088 This morning, Mr. Charles and I did meet with Mr. Wygod
01 in an attempt to explain how the committee viewed this
02 process. And in the process we did have a confidential
03 conversation, and my fault, apparently we couldn't
04 delineate what was confidential and what wasn't.

05 We did express to Mr. Wygod our concerns
06 about all of the proposals and their potential for
07 cannibalization, and that every one of them, no matter
08 which one we were presented with, had certain dangers that
09 we were concerned about, and didn't promote the sport to
10 the full extent that we would like to see it promoted as
11 Chairman Landsburg has expressed.

12 Nonetheless, we viewed each independently.
13 We valued each based on what we assumed would be their
14 potential for cannibalization and came up with an offer to
15 each that was individual, separate. And we made that
16 offer with Board approval and we discussed the potential
17 for one of them to be accepted, and that's why we're here
18 today.

19 I hope to have the chance again to talk Mr.
20 Wygod. I appreciate his input. Mr. Charles and I both
21 were very pleased with the feedback we had from him. If
22 we left him with any incorrect perceptions, I'd like to
23 apologize to Mr. Wygod and to Board for that, but we're
24 happy to talk to anyone whether it's on the Board, or an
25 owner or trainer or fan about our philosophy in
26 approaching this. And we encourage the discussion among
27 the interested parties and we'll do our part. Thank you.

0089 MR. LANDSBURG: Thank you.

01 Are there further comments? Yes, Chris.

02 MR. KORBY: Thank you Mr. Chairman. Christopher
03 Korby, California Authority of Racing Affairs. I would
04 just like to confer what Mr. Liebau said earlier about
05 discussions that are under way between the fairs that
06 conduct live racing during the period that was referred to
07

08 earlier. Those conversations are active and being
09 conducted in good faith. There are not inconclusive, but
10 ongoing. Thank you.

11 MR. LANDSBURG: Right. It's my understanding that
12 -- is it correct, is my understanding; correct, that this
13 -- is your discussion subject to confirmation by the TOC?
14 Just a question.

15 It suddenly occurs to me that you're in
16 negotiations for the race for Magna. Whose responsibility
17 is it in this case? I just got lost for a minute?

18 MR. KORBY: Well, in these and other matters would
19 be on the side of TOC are partners in this, and be glad to
20 discuss with them about whatever we're in discussion.

21 MR. LANDSBURG: -- (unintelligible) Mr. Leibau will
22 be subject to TOC?

23 MR. KORBY: Yes, that's fine with us. Thank you.

24 MR. LANDSBURG: Thank you.

25 MR. TOWNE: Mr. Chairman, members, Norm Towne
26 representing Pari-Mutuel Employees Guild, the San Mateo
27 County Fair, The California Exposition and State Fair and
28 the Solano County Fair.

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01 First of all, I hold in my hand something --
02 I stopped by Western Fairs Association the other day, and
03 Steve Chambers who is the Executive Director of Western
04 Fairs, an organization that represents fairs all over the
05 Western United States and Canada, gave me a page from the
06 California State Fair Program 1947. And in that program is
07 an advertisement from the Nevada Turf Club with phone
08 numbers. Phone betting was alive and well on an interstate
09 basis in 1947, in California and Nevada. And here we are
10 today, 65 years later trying to figure out how to implement
11 it. I'm sure we're going to hear more today from other
12 entities that wish to conduct this activity.

13 The people that I represent believe that, as
14 I've heard others say, that there is a risk of
15 cannibalization to product that we know and love in
16 California, but with any one opportunity, there is a risk.
17 And this is great marketing opportunity once again, a tool
18 for horse racing. And once again, we sit here and we
19 argue and fight over how we're going to do that. It's our
20 belief, the people that I represent believe, that the more
21 the merrier. There isn't a single approach to this, and
22 that there are all kinds of good marketing ideas out
23 there, and we need to take advantage of all of them. We
24 have underexposed product. So let's try to find a way to
25 get it on an even playing field with all of those products
26 that aren't underexposed. We've let time go by.

27 As Mr. Landsburg said earlier, two
28 generations have missed it. They missed the train that

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01 we're on, and that we like, but it's the Orient Express.
02 We need to get into the 21st Century with both feet.
03 Somebody needs to be spending a hundred percent of their
04 time on player and product development for horse racing.
05 And these entities that are here today, I think are in way
06 doing that, and that's a good thing.

07 But we believe that we need to focus on
08 California. That we should work with the California
09 product, and try to get it to the California customer.

10 That should be the goal for the benefit of everyone in
11 California. And we're exploring the possibilities of
12 putting a system in place or coming back to this Board
13 with an application with a system that would operate
14 exclusively in California and would distribute that signal
15 if made available to us on a private basis.

16 Public television is very important. We
17 agreed with the entities that have said that this an
18 important component in this. The Internet is an extremely
19 important component. We would also be involved in that,
20 but the private dissemination of that signal is also
21 important, in particular if it focuses strictly on
22 California.

23 Our customers are used to seeing what we
24 present every day in the satellite facilities. Mr. Korby
25 was just up here, you know, the fair is the trainers, the
26 breeders, the TOC, all of the entities that participate
27 and obtain revenue from the existing scheme should be
28 involved in these discussions.

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01 We shouldn't be at this point and somehow
02 we're here. We intend to have an inclusive system, not an
03 exclusive system. That's what we'd like to present to the
04 Board. And we would like to make presentations to all of
05 the entities in racing about how they could be
06 accomplished and get input as to how that could be
07 accomplished, but there shouldn't be a lot of duplication
08 of effort.

09 A public signal -- you know, we're willing
10 to do this on a public benefit basis where there's some
11 profit margin set aside and that benefits the industry.
12 But all of the money, all of the economic benefit comes
13 here. If there's going be cannibalization, we believe we
14 should cannibalize ourselves. Don't send six-and-a-half
15 percent of the money to some other jurisdiction, keep that
16 six-and-a-half percent or up to six-and-a-half percent
17 here. Keep as much of the revenue as you can keep here,
18 preserve the jobs, create jobs for California. And if
19 you're cannibalized, at least the pot stays the same, in
20 California. The money might be shifted around, but as
21 Mr. Van de Kamp and others said, we can adjust on the back
22 9, but we can't do it if we implement and that money goes
23 someplace else. Thank you for your time, I appreciate it.

24 MR. LANDSBURG: Thank you.

25 MR. HOROWITZ: Alan Horowitz, Capitol Racing.
26 You've heard about the Thoroughbreds and their involvement
27 with this Magna project, and I'd like to say that on
28 behalf of Capitol Racing and the California Harness

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01 Horsemen's Association, we've entered into an agreement as
02 well, a nonexclusive agreement, but nonetheless an
03 agreement with Magna, and we wish them well in this
04 endeavor, and we ask the Board's support to help them
05 along. It was a very fair, and in some respects, generous
06 agreement, similar in respect to the generous nature of
07 the agreement with TOC. We thought that the Board would
08 want to know that. Thank you.

09 MR. LANDSBURG: Thank you. Ladies and gentlemen
10 we've listened to an hour and a half or more of
11 discussions of the Magna license, are there any further

12 discussions? This is the time to speak, not later.

13 MR. LICHT: I'd like to ask Drew Couto, I didn't
14 understand his response, to tell you the truth. I should
15 ask while you're up. Can you come back and address the
16 questions that were raised regarding the overall TOC's
17 Board support of this letter agreement between Magna and
18 TOC and also the knowledge of the other Board members, if
19 the Board members are all on target and stuff.

20 MR. COUTO: I think this is probably better directed
21 to Mr. Van de Kamp, but since I'm up here. The terms of
22 the proposals submitted to Magna was a proposal approved
23 by the TOC Board and advanced negotiations.

24 The terms that were accepted are identical to
25 what we were authorized to convey on behalf of the TOC
26 Board. We do have the final contract to be defined and
27 clarified, and I'm sure that we will submit that back to
28 the Board to make certain that we have their full

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01 authority on executing the final agreement.

02 MR. HARRIS: A follow-up question on that same
03 issue, which I'm not sure who's best to answer it, but
04 would TOC feel more comfortable if they had more time to
05 really explain this contract to the various horsemen and
06 trainer and all, or do you think that really we should
07 proceed today with what you have?

08 It looks like a good contract, but the
09 concern is it hasn't really had very much review. I
10 didn't see it all until today. It's dated today.

11 MR. COUTO: I can only answer on my own behalf. I
12 don't think I can speak on behalf of TOC.

13 I can say that are committee put in literally
14 hundreds of hours trying to get our hands around -- around
15 this issue, and recognizing that no matter which way went,
16 we were going to have a component of our constituents
17 pleased with the decision and the other component not so
18 happy.

19 So in a sense we're dammed if we do, and
20 dammed if we don't. Would more time help? I'm afraid to
21 say that it would be or wouldn't. I know that me as a
22 committee member, speaking on my own behalf, the deal that
23 we that would put forward was a deal that returned quite a
24 bit to horsemen.

25 And I'm sorry for making a roundabout
26 answer. I really don't know whether more time is
27 (unintelligible). I'll defer to Mr. Van de Kamp.

28 MR. VAN DE KAMP: I think the simple answer is the

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01 agreement expires today if no license is granted so we're
02 back to scratch, if it's not passed today.

03 I think Mr. Mc Guil (phonetic) has to leave.
04 I'll confirm that. You have copies I think of the
05 agreement before the Board, are -- it's now public record.
06 And what -- where it will end up next, I don't know.

07 I have given a copy of the contract, with
08 the authority, I think, of the Board to Mr. Halpern to
09 take a look at today and I'm going to give him the
10 numbers. We are very satisfied because we've been at this
11 for some time. This is extraordinarily fair for horsemen
12 and (unintelligible).

13 MR. PIZANCE: While he raising it so I can speak,

14 Mr. Chairman, Gary Pizance, and I think I know most of the
15 people in the room. Those who don't know me I'm a
16 Californian, investor in the horse business.

17 And presently, am very proud to be the
18 Chairman of Thoroughbred Owners and Breeders of America,
19 which represents about 3000 of major owners that have big
20 investments in horses all over the country.

21 But I really have been enjoying listening to
22 the presentation this morning and I'd like to speak,
23 myself, with some notes that I have as a Californian and
24 from my own personal standpoint. I'll try not to read
25 them too much. I'll try to address them to you clearly.

26 Reaching the better -- the Chairman has made
27 it clear that really what the goal we're trying to talk
28 about in this session is reaching new bettors. The

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01 question is what is the best way to reach new bettors.
02 That's what you're really talking about.

03 In my opinion, television is the answer to
04 popularizing racing, not the Internet. I don't have an
05 opposition to the Internet, my children play on it and work
06 all the games. It's a good video, but television is what
07 made major league sports in America. It made the NFL. It
08 made NASCAR. It made the NBA. It made any major sport,
09 something that was popular in the eyes of the American
10 public. Those of us that watch Monday Night Football or
11 watch NBA Basketball don't have to gamble on it, but it
12 attracts millions of people to the screen that are
13 attracted to the sport and become enamored and enjoy the
14 sport. It creates new interest in the sport. Television
15 itself is the greatest advertising media ever devised, and
16 we have some groups here today that are trying to figure
17 out a way not use it.

18 In other words, to convince you that there's
19 a better use than television. To me that is not a very
20 clear picture. I see television as the correct medium to
21 enhance Thoroughbred racing and to popularize the sport
22 and make it a major league sport and get more people
23 interested in it. TVG, who is probably going to make a
24 presentation after I speak, has invested heavily in our
25 industry, in the racing industry, throughout the country.
26 They made investments in the industry, which all of you
27 know because they had exclusive contracts with tracks to
28 show their products.

0097

01 There's been objections to exclusive
02 contracts, but I would even question your Board as one
03 that gives exclusive contracts to tracks when you give
04 them race dates. You get an exclusive contracts for that
05 period of time. So that's something that's done to
06 everybody and in every industry.

07 TVG offered source marketing fees, which was
08 money back to purses, which I as an owner with an
09 investment of millions of dollars in horses and trying to
10 keep the books balanced, am interested in purses going up.
11 That's probably the most important thing to me, not the
12 profitability of the corporation, not the profitability of
13 the individual enterprise, but the opportunity for me and
14 hopefully new owners to come into our sport to have a
15 chance to balance their books and make some money.

16 TVG paid Kentucky last year, another State
17 where I have a farm, almost two million dollars in source
18 marketing fees. They deposited that money. It wasn't
19 bonds that we're going to get there, or not on time. The
20 money is there. They paid. So that was done.

21 Now, what we have, what I call, others
22 wanting to get sort of, into the game. But what medium
23 are they going to use? It's obvious that Internet is the
24 medium. The gentlemen in front of me today mentioned that
25 they have network ready to start. It's got 3,000
26 customers, 3,000. They're ready to go. That's just a
27 thousand less than the attendance at Santa Anita last
28 Wednesday. That's not a great number to me. And how much
0098 investment are they prepared to put into this game? How
01 much to make this medium much larger and attract all these
02 new fans? No one should prevent competition. It's
03 wonderful. It's healthy. We use the term, free
04 enterprise. I get it mixed up with people that are
05 confused that really mean equal opportunity. They're two
06 different things, but it should be the same for everybody.
07 And that's fine, nobody discouraged that, but denying the
08 entire country and the State and San Diego where I live,
09 the fact that I can't see my horses run at Santa Anita
10 when they run, to me it's a disservice to the industry.
11 That's not a contribution, it's a disservice to the
12 industry. And it irritates me. It irritates me that I
13 live that far away and I can't watch my horses run.

14 Any of the small companies that think
15 expanding gambling over the Internet is going to raise the
16 quality of racing, the integrity of racing, on a local
17 level or national level and bring lots of new fans to the
18 racetrack, are not thinking very clearly. There's a
19 tremendous amount of work that would be needed to educate
20 and teach people how to even use it and how to bring it to
21 the racetrack.

22 In an effort -- in an effort almost control
23 racing or whatever, the group in front of me, made an
24 effort some time ago to back another company that had
25 distribution, and that company went out of business and we
26 lost that signal, they're gone. When Mr. Wygod asked
27 what the net worth was of that new company, and the
0099 gentlemen said, "We can make it anything you want."
01 That's fine, but the company that they invested in, is not
02 there anymore.

03 The promises, et cetera, in my opinion, and
04 the (unintelligible) that we've watched over a period of
05 time, and the disservice I think is happening, should
06 convince the Board, in my opinion, that TVG and the proper
07 source marketing fees are adequate ones for this State,
08 are the right way to go. And in my judgement, if they
09 have no issues with you, their bonds are in and they've
10 done all their work, you ought to grant them a license.
11 And we ought to see their races on television.

12 MR. LANDSBURG: I think you're going ahead of our
13 agenda. So I'd ask you to hold that (unintelligible).

14 MR. PIZANCE: Okay. I just feel, again in my role
15 as Chairman again of a large group of people all over the
16 country that would like to watch Californian racing, that,

18 you know, we ought to have the opportunity to do that, and
19 that's something I think this Board should take seriously
20 about. Thank you.

21 (Applause)

22 MR. LICHT: I agree with some of the things that
23 you said. Actually, most of what you said, and when -- I
24 think John Van de Kamp used the expression, something like
25 if he could build the ideal platform or something -- I
26 think that what you say is true, but unfortunately, we're
27 dealing with private enterprises.

28 This isn't NHRA, this isn't New Jersey

0100

01 racing. This is owned by private companies. And their
02 profit-making opportunities have to be considered too. It
03 isn't only what's in the best interest of racing. And I
04 also think it's unfair to characterize that they haven't
05 put anything into the game. I think there's been
06 testimony here that they've put in \$300 million dollars,
07 into the bricks and mortar that give us the opportunity to
08 have this game here. So I think that some of those
09 assertions aren't appropriate.

10 MR. PIZANCE: Mr. Chairman, I feel that I'm well
11 qualified as a CEO of a public company that represented
12 thousands of people and sold products and service all over
13 the country to understand earnings per share,
14 profitability and how a corporation runs. For your job,
15 if my judgement, it's the fans enjoyment, what we're
16 trying to do for the public, et cetera, that is a
17 responsibility that needs to be kept. In my judgement
18 right now, that's not being done too well. Thank you.

19 MR. HARRIS: I'm not clear if the -- to Gary's
20 point, you feel that the horsemen's agreement should
21 include some (unintelligible) in it that would assure wide
22 distribution of TV or you think that is not really part of
23 the horsemen's agreement, it's just part of the licensing
24 agreement.

25 MR. PIZANCE: I'm not sure or clear on that or care
26 that much about that. In fact, the free competition is fine
27 with me, I wouldn't care how many people you license. It
28 doesn't bother me.

0101

01 In other words, I just think that the people
02 that do it right, and are there, and have the investment,
03 and are in business ought to go forward. And if somebody
04 wants to compete with them, run up different media or the
05 same media, or put up the same amount of money and compete
06 with them, that's marvelous free competition. We ought to
07 have that. But I wouldn't deny someone that's doing it
08 right.

09 MR. LANDSBURG: Thank you. Mr. Pizance, you and I
10 have disagreed in the past on things, but this is one of
11 those points, at least one of your points, I agree with
12 wholeheartedly, and wanted you to know.

13 In fact, when musing about this meeting and
14 wondering what it was that I had to crystallize for
15 myself, I'm going to take the liberty of reading to you
16 what my notes were.

17 I met with representatives of major would be
18 licensees. I met and been in contact with representative
19 members of the racing community, jockeys, trainers, labor,

20 breeders, owners and respective representatives -- and
21 their respective representatives.

22 The CHRB set the table for an orderly
23 procedure, but apparently what we've gotten into is a food
24 fight. The key to success of ADW is promulgation of
25 California racing under the most widely available
26 broadcast mechanisms. The TV signal will serve the
27 industry best will have to do far more than explain
28 wagering. The goal should be to create a program, which
0102

01 will bring new celebrity to the people in horses of
02 racing. We can refocus racing if we portray hero of
03 jockeys, trainers, horses with whom a new audience can
04 identify. If we can accomplish this identification within
05 the framework of displaying our races, then I believe we
06 will open the gate way to the hearts and minds with new
07 and lapsed fans.

08 This axiomatic in the world of sports, given
09 an audience someone and something for which to cheer, will
10 come to your arenas, and strangely enough, they don't
11 cheer for money. I recommended that ADW executives come
12 to Clockers Corner, particular after reading that once
13 upon a time 40,000 people turned out to see a horse one
14 year. A hero horse named "Sea Biscuit." Other than the
15 back stretchers, a handful of people now show up, seeking
16 a winning bet. We're too long in preaching to the choir.
17 It's time we went beyond beer mugs, T-shirts, and gimmick
18 gifts and I hope that with ADW we can do that.

19 I'm concerned in the case of Magna, that we
20 are planting a very small seed and hoping that it will
21 grow into something. And I don't know that that is this
22 Board's function. I don't know (unintelligible) what we
23 want to see -- or I do know that what we want to see is
24 the kind of outreach that would make us see, wow, you're
25 getting to them. You're giving us something new. You're
26 not just giving us another way to bet, you're giving us
27 something new.

28 In that respect, I haven't heard it yet.
0103

01 I've heard architectural renderings. And I would hope that
02 you can convince me that this will not be a matter of
03 turning you on and the next time we go to Santa Anita,
04 we'll be 1 of 47 people sitting in those grandstands,
05 which is my grandest fear in this.

06 So please convince me. I'm not convinced
07 yet by what I saw in the presentation, nor what I've heard
08 from you. I haven't heard that you have made arrangements
09 and contacts to get the full signal that you own and
10 cherish out to a wider audience. That's what I haven't
11 heard. And until you can convince me, I'm not willing to
12 say yes, but we have a Board that will discuss that. If
13 you would care to address that question, I'd be happy to
14 listen.

15 MR. MCALPINE: Yes, Mr. Chairman, I believe we've
16 undertaken as an aggressive a program as anybody could
17 undertake in the period of time that (A) we've been
18 in business, and (B), the period of time that account
19 wagering has been on the platform in California.

20 MR. LANDSBURG: Are we rushing?

21 MR. MCALPINE: I don't believe we are rushing. I

22 think -- I think --
23 MR. LANDSBURG: You said within the time we've had.
24 If you need more time, I'm happy to give it to you.
25 MR. MCALPINE: We don't believe we need more time.
26 MR. LANDSBURG: No. I wasn't being -- I didn't
27 mean to be making a joke of your enterprise because I
28 think you've taken grand steps to here, but I think
0104
01 there's a leap left to go. That's a personal impression.
02 MR. MCALPINE: And I think that as one of the
03 previous speakers said with any substantial opportunity,
04 there's risk. And we put our capital, and our human
05 resources behind this venture, and we'll continue to add
06 capital and human resources to this venture to grow and to
07 be something that you will say, yippee.
08 Because frankly, that's what we want as
09 well. And we don't see that the efforts we've taken to
10 date don't support that commitment, and don't demonstrate
11 that we can get there.
12 MR. LANDSBURG: The efforts to establish a
13 mechanism are there. I applaud you. I also applaud, as I
14 said to you before, having been through negotiations in
15 simulcast wagering, we've taking a long step forward with
16 what you have done. Because it is an important step. It
17 does bring more to racing, but if it brings more to racing
18 from a couple thousand people, I'm not interested in it,
19 and that's the problem.
20 MR. MCALPINE: And neither are we, and you pointed
21 it out yourself, it has been two generations this industry
22 has been in decline. None of us are going to turn on a
23 magic light switch this afternoon, or next week to fix two
24 generations of decline.
25 MR. LANDSBURG: I would hope you make some
26 preparations for it. I don't see them. I don't see the
27 ability to get a commercial -- commercially viable, for
28 the public signal out.
0105
01 MR. MCALPINE: Well, the reality is that we have
02 demonstrated in one of jurisdictions that we could grow a
03 business with 27,000 subscribers. We believe that we can
04 take capability and grow significantly in California that
05 would satisfy Californians and grow the wagering dollar in
06 California.
07 Another one of the gentlemen talked with
08 growth and talked with new customers, I, like you, believe
09 that the real new customer is somebody that we haven't
10 seen yet.
11 That's where our priority will be, but the
12 other reality is, there is more than a billion dollars of
13 Pari-Mutuel (unintelligible) that goes offshore to the
14 rebaters and if we can repatriate some of that billion
15 dollars, that would substantially enhance the pocketbooks
16 of everybody in California who's involved in horse racing.
17 So there are many different thresholds that we will attack
18 to get new customers.
19 MR. LANDSBURG: We were inundated in the last 15
20 days because we're moving so fast, that an immense amount
21 of paper, all of which has details, and all of which are
22 seven innocence here, if you will, are looking at and
23 trying to figure out, are we about to move on something

24 that's right? I've given you my impression. I think we
25 still have a concrete plan, and if you will, a commitment
26 in hand that says, we are reaching an audience of "X" and
27 we plan -- in the next business plan, we are reaching "X"
28 because we have made agreements to reach "X", we will
0106 reach "Y." We will reach "C." And if we don't, we have
01 failed. Now, that's a business plan that anybody who was
02 in this business, who is starting a new business should
03 have in mind. I haven't heard it, and I don't know what
04 content. The content you're talking about is wagering,
05 and that does not bring in new people. Because if they
06 don't know how to bet and haven't bet before, they're not
07 going to bet now.
08 I'm sorry, I don't mean to be -- this is my
09 passion and feeling about racing. This is what I have
10 wanted out of racing and for racing, so I'm expressing my
11 own feelings.
12 I've worked in television all my life.
13 Mr. Pizance and television is the medium. It's the only
14 one we can reach a lot of people and move, if we are
15 moving (unintelligible) the right basis. I hope we can do
16 that. I would hope that when we say, "go", on -- and this
17 Board is not going to hold it back, but when we say go,
18 we've got to know that we're saying go into something that
19 can be enormously productive and not just make a few
20 dollars in extra Purses for the horsemen.
21 Editorial finished. That's my view. I have
22 not communicated this to the Board. I have just written
23 my notes for myself.
24 We still have -- do we have anymore
25 discussion that people would like?
26 Nothing from the audience?
27 Then we are here to entertain motions that
0107 will open this door or not. I have gone as far as I can go
01 as an individual.
02 MR. HARRIS: I agree with Chairman Landsburg. If
03 you were come forward with a plan or maybe you have a plan
04 -- is there something that you could show to the racing
05 community that you're doing good forward to achieve a
06 certain amount of viewers are following -- of racing on --
07 in some medium anyway?
08 MR. MCALPINE: Mr. Harris, we did submit a business
09 plan with our application. The business plan contemplates
10 the handle in the first year -- of something 29 million
11 going to about 253 million or a period of years.
12 It also talks about numbers of customers.
13 You know, those customers will be growing by following an
14 aggressive marketing campaign, by providing distribution
15 through various technologies, by providing technology
16 supports so people can wager via the telephone, the
17 Internet, and view products over the television
18 (unintelligible). So there is a business plan and we
19 believe it can be accomplished.
20 We've seen a lot of other entities develop
21 business plans that are frankly Pie in the Sky, and they
22 haven't happened. And we don't believe that that's the
23 appropriate way to go forward in this venture. We think
24 there is a huge opportunity here, but none of us should kid
25

26 ourselves, it's not going to happen instantly. It's going
27 to take a long time. It's going to take a considerable
28 amount of investment and energy and innovation to make it
0108 happen. And we very much would like the opportunity to do
01 that for the benefit of all us.
02 MR. LICHT: I have a question for you based
03 upon your concerns really. What more would you have
04 expected Magna to do as -- strictly with respect to
05 creating a broadcast or television opportunity, other than
06 make a deal with TVG like they've done already.
07 MR. LANDSBURG: In individual meetings with
08 executives of Magna, I was told, I believe, that -- and I
09 don't want to reveal things that are outside, but I was
10 told that negotiations were underway for cable coverage in
11 Northern California of Golden Gate and Bay Meadows.
12 That's a -- once again, it's an
13 architectural rendering, until you say to me, we have
14 locked down this area. But nobody's made the attempt to
15 lock down that area, that I know of. Nobody has sealed
16 that door and said, "We have it subject to our license
17 opening." Hey, that's a plan. That's a forward moving
18 plan. I was told that by executives of Magna.
19 MR. MCALPINE: You're absolutely correct. And I was
20 one of the executives who probably was part of the
21 discussion --
22 MR. LANDSBURG: I never quote names or cite
23 sources.
24 MR. MCALPINE: You might (unintelligible). Let's
25 talk about it. We've got a number of initiatives in
26 California to obtain distribution, but you are absolutely
27 right. We do not have a signed contract today. So I
0109 wouldn't come in here and tell you that we've achieved
01 something we haven't yet achieved.
02 MR. LANDSBURG: Once again, it's -- it's uh -- what
03 was it -- promises, promises. I'm -- you know, we're
04 engaged, but we're not wed yet. And we're not over this
05 point, at this moment.
06 Once again, if there's more discussion,
07 please, I don't want to cut it off.
08 In which case, I will entertain a motion
09 from the Board either to -- I think in front of us are
10 three directions.
11 One, to delay approval. Two, to approve as
12 requested. And three, to not approve the application.
13 Those are the three choices which now sit in front of us.
14 I would entertain from the Board a motion so
15 that we can begin this process of determination of the
16 Board's feeling.
17 MR. LICHT: I move that Magna's proposal be
18 accepted and that you grant the license.
19 MS. GRANZELLA: And I second it.
20 MR. LANDSBURG: Moved and seconded. All in favor.
21 THE BOARD: Aye.
22 MR. LANDSBURG: Can I raise to have a hand count,
23 please. There are five. Was there five? So approved.
24 And I will come back to you if I don't see
25 the promises realized.
26 (Pause in Proceedings)
27

28 MR. LANDSBURG: Thank you very much. We are at
0110
01 Item 6 on the agenda, discussion and action by the Board
02 on the Application for License to Conduct Advance Deposit
03 Wagering by ODS Technologies, L.P., D.B.A, TVG.
04 MS. WAGNER: Jackie Wagner, CHRB staff. The
05 application before you is from TVG. They have filed an
06 application to function as an out-of-state
07 multijurisdictional wagering hub. Their dates of
08 operation for the hub will be 365 days a year. The hours
09 of operation as proposed are 24 hours a day.
10 TVG will be providing services for the
11 following associations: The Los Alamitos Racing
12 Association, Churchill Downs Incorporated at Hollywood
13 Park, Del Mar Thoroughbred Club at Del Mar, Los Angeles
14 County Fair at Fairplex, and The Oak Tree Racing
15 Association at Santa Anita.
16 The analysis in your packet indicates that
17 there are two items that are missing. Those items have
18 been received by staff. We have received the contracts
19 with the racing association. We have received the
20 Horsemen's Approval from the Quarter Horse. TVG is
21 prepared to make a presentation to the Board.
22 MR. WILSON: Good afternoon, Mr. Chairman.
23 For the record, Mark Wilson, Chief Executive
24 Officer of TVG. With me on my right is John Hindman,
25 he's our Vice President and General Counsel. And on my
26 left is Marcy Miller, who's our Vice President of
27 Marketing; and from Gemstar TV Guide International, senior
28 Vice President of Marketing and Promotion, Suzanne Meeks.
0111
01 Also with me in the audience today is our Chief Counsel,
02 Rich McNutt, who can explain issues that you might have
03 with any of our wagering platforms; Jason Bulger who's our
04 Director of Promotions, who will be handling our
05 presentation. Dr. Curt Barrett, who's our Compulsive
06 Gaming Expert and Advisor is also in the audience, along
07 with our counsel and others.
08 It's a pleasure to be before you,
09 Mr. Chairman and members of the commission and staff. I
10 listened very carefully to your vision of what you want
11 advance deposit wagering to be, and in your vision of how
12 you want television to play a role in expanding the
13 marketplace for both horseman and our racetrack partners.
14 If I could, for just a moment, I would like
15 to just summarize again our application. We believe that
16 we meet all the requirements of Business and Professions
17 Code 19604, as well as the CHRB regulations implementing
18 that statute. We posted the bond with the application.
19 We established the required security access policy
20 safeguards and procedures that are clearly identified in
21 our operating plan. We verified our capability to provide
22 a full accounting verification and source of each wager,
23 and we're committed to provide that in the form of a daily
24 download to a designated industry database.
25 We have the financial resources, the
26 operating advance deposit wagering, and not only advance
27 deposit wagering, but also the television programming that
28 must go along with it to broaden the fan base to racing
0112

01 both in California, nationwide, and ultimately worldwide.
02 Our parent company of which we are simply a
03 business unit, an \$8 billion dollar company, with enormous
04 resources and no long-term debt to speak of. We've
05 committed that our advertisements will contain a statement
06 that persons under the age of 21 are not allowed to have
07 accounts, and that all ads will have contact information
08 for recognized problem games support organizations.
09 We've engaged in independent third-party
10 information services, to provide age, residency and
11 identity verification for each account holder. Our
12 wagering systems require unique access numbers and means
13 of personal identification to assure that only the account
14 holder has access to his or her account. We have a
15 California agent for service and process. We will be
16 committed to all the appropriate access for purposes of
17 inspecting and reviewing our operation, and to allow audit
18 wagering by California residents.
19 We have contracts, as staff mentioned,
20 with Del Mar, Fairplex, Hollywood Park, Oak Tree and
21 Los Alamitos. Los Alamitos has a mild race meet, which
22 extends throughout the entire calendar year, which alone
23 satisfies the criteria set forth for approval and statute
24 and the CHRB regulations for granting approval for an
25 out-of-state provider. We have, as staff mentioned,
26 horsemen's approval for that particular contract.
27 We believe that television distribution or
28 all television distribution is the absolute key to
0113 broadening the fan base for racing in California and
02 elsewhere.
03 We believe that there's been lots of
04 discussion about exclusivity, which we believe is a
05 business matter, and exclusivity is the predicate for
06 \$150 million-dollar investment in this industry, much of
07 which has been invested in California in terms of jobs and
08 benefits.
09 We believe that broad distribution is the key
10 to creating new fans and to bring back into the business,
11 casual fans or lapsed fans. It's worked for every single
12 sport that has embraced broadening distributed to
13 television. Unfortunately, racing over the last 30 to 40
14 years didn't embrace television in the same way that other
15 sports have. We've changed that. We're real. We're in
16 eight million homes today. We announced yesterday an
17 exciting cable distribution deal with Adelphia Cable,
18 which serves much of the Los Angeles area, and we believe
19 that over time, and they are extremely tough negotiations.
20 We've acknowledged our successes. We've also
21 acknowledged our failures. We believe that over time we
22 will also have cable distribution deals with others in the
23 state of California.
24 We have a license agreement with AT&T, which
25 has systems in Northern California, but as most of you
26 know Comcast Cable has now acquired AT&T, and if that deal
27 closes, we believe we will be in a good position there
28 since Comcast's an enthusiastic supporter of TVG, having
0114 launched us through the state of Maryland and our
02 performance in that state has been ahead of expectation.

03 So in summary, we believe that under all of
04 the statutory and regulatory criteria that's applicable to
05 granting a license to TVG, we're real; we've invested
06 money; we have real television, and real programs.
07 And what we would like to do, before I talk
08 to you a little bit of the overview of the company, is
09 also mention one other thing. Back in Del Mar the prudent
10 legislation has passed. We entered into an agreement to
11 protect purses, and, in fact, we sent around a California
12 purse protection plan both to the TOC and the CTT.
13 So having met each of these requirements for
14 approval, we respectfully urge you to grant us a license.
15 Before we go there, if I could, I'd like to
16 give you a very brief overview of TVG operations. What I
17 believe to be the following basic cable and satellite
18 distribution, most of you know who are available
19 throughout the nation on Dish Network, who by the way, has
20 entered into a contract to acquire DirectTV. And if that
21 deal closes, we believe that will be an exciting result
22 for TVG, as well.
23 We believe in premium racing content. We
24 believe in patent protected interactive technology and we
25 believe in world-class customer service, and most off all,
26 we believe in the marketing power of Gemstar TV Guide
27 International, which reaches over 75 million people a week
28 in the United States and Suzanne Meeks will speak to our
0115 reach in California specifically.
02 Premium television programming, what is that?
03 Most of you've seen TVG. You can get it on Channel 405
04 throughout California. 700,000 Californians can do that.
05 And we wanted to give you just a brief look at some
06 snapshots of our program and design to address what the
07 Chairman of this Commission talked about emphasizing
08 personality -- emphasizing drama racing, and yes, giving
09 you the opportunity to make a wager or two.
10 (Video Demonstration)
11 MR. WILSON: Just a taste of where we've been.
12 We've covered the -- center for America's racing
13 community. We've covered racing from the Arc in
14 France, from Argentina. We've been literally around the
15 world in England and also all continents -- or all over
16 the world to bring the best racing in the world that
17 otherwise wasn't available here in the U.S. And
18 obviously, we've done feature after feature on the special
19 events of racing capped off by the enormous achievement on
20 the (unintelligible) --
21 Much has been said about distribution.
22 Distribution for TVG is the single most important element
23 of our company. And we have performed on distribution.
24 TVG is nationwide distributed on Dish Network. And it's
25 not on a specialty platform. You don't have to go buy two
26 dishes. You don't have to pay a special fee per month.
27 It's part of the basic package. It's there on Channel
28 405, just below some of the Fox channels, for instance.
0116
01 In California specifically, we're on Dish
02 Network throughout the state, like we are throughout the
03 country. And as mentioned, we announced the Adelphia
04 Digital Cable deal in the Los Angeles, which will be

05 launched in the next 30 to 60 days as soon as consumer
06 notifications are given, presuming that we're able to get
07 approval to operate. We're pursuing aggressively, cable
08 distribution deals with other providers in California,
09 Time Warner and Cox. The leverage that we have through
10 our parent company, which provides guide and service,
11 guiding people to particular programs that they want to
12 watch on TVG, gives us the ability to do something that is
13 very critical. It allows us to go out and make
14 distribution deals and still have enough margin left over
15 to give back to the industry pursuant to our business
16 plan, which has been widely discussed, almost 70 percent
17 of the takeout.

18 One day when distribution gets broad enough
19 and has crossed enough markets, we then begin to get
20 significant advertising revenues, which is the way, at the
21 end of the day, that this entire business model makes
22 sense. That's how we can afford to send back 70 percent
23 of the takeout through those racetrack fees and source
24 marketing fees.

25 Premium racing content we've covered. In
26 fact, we have some of the best racing from across the
27 country. Patent protected interactive wagering
28 technology. We've had in operation, not in concept, but

0117 in operation, a very sophisticated I.B.R. system now, for
01 over a couple of years. We've had a very sophisticated
02 online wagering platform, which we're putting on our new
03 version, which allows you to stay all on one page in the
04 next couple of three weeks.

05 And finally, our long haul to TVG is true
06 interactivity. Just makes common sense. You can wage
07 your own races from home using the device that's most
08 comfortable for you, the remote control. You'll have the
09 most interest in participating in the sport.

10 And this gives racing it's absolute best
11 ability to pick up lost ground vis-a-vis of other sports.
12 Because we have one tremendous asset, we have the asset of
13 being able to wager from home, and that's something that
14 it properly promoted, properly advertised, will bring
15 casual and new fans back into this game; and being able to
16 use something that's convenient as your remote control to
17 interactive with your television is where we want to go.

18 Dish Network, our national satellite partner,
19 is in daily work with our Chief Technical Officer and his
20 team, Rich McNutt, to make this a reality. It's a
21 complicated process. They hope that it can happen as soon
22 as third quarter of this year. We'll see if all the
23 pieces fit together, but we know from our experience in
24 Kentucky, where we have test market of interactivity, that
25 this truly is an exciting future for racing, and frankly,
26 for our company.

27 World-class customer service BJ Cosson, our
28
0118 Vice President and Customer Service is here, as well. We
01 have third-party age, residents and verifications secured
02 transactions. The new subscriber welcome kit, toll-free
03 customer support; and the state of the art responsible
04 wagering aware program that our licensee, Youbet
05 (phonetic) also adopted -- headed by our compulsive gaming
06

07 expert Dr. Curt Barrett --

08 Finally, the most important element of TVG is
09 the marketing power of Gemstar TV Guide International.
10 Racing will never pick up and will never grow, unless
11 we're able to take this sport and to market it to casual,
12 lapse and new fans. And in order to be able to do that,
13 to be real and in order to do that, you've got to have
14 significant resources. Racing can't find a better
15 marketing partner than Gemstar TV Guide. It's why we got
16 in the business. It's why \$150 million dollars has been
17 invested in the business. Given the opportunity to get
18 going in a state where the market is the size of
19 California, we have the resources to do it right.
20 Suzanne.

21 MS. MEEKS: Thank you. Gemstar and TV Guide are
22 incredibly excited to bring the weight of our brand and
23 consumer reach to bear on the California horse racing
24 industry through our regular support of TVG, that we have
25 done with it in many other launches. I'd like to quickly
26 take a look at TV Guide's products and services, and a
27 consumer reach I'm talking about.

28 (Presentation of Video)

0119

01 MS. MEEKS: To reiterate what Mark said earlier,
02 that's 75 million unduplicated households reached weekly
03 by TV Guide products. Unduplicated. That means 75
04 million different households every week are reached with
05 our entertainment, and we believe that's offering horse
06 racing a whole new fan base who'll be exposed to your
07 events.

08 Why would we do that? Why would TV Guide and
09 all of it's products and services throw that kind of
10 weight behind TVG? Because TV is one of the most
11 important networks in our portfolio, and we intend to
12 insure it's intended -- continued growth and the track that
13 it has been on.

14 Specifically, I think it's important to note
15 22 million, I think, Mr. Chairman you referred to 22
16 million adults in California? About 15 million TV homes
17 total; about eight million of those are cable homes, six
18 -- 5.5 million of those are reached by TV Guide Channel;
19 another million, uhm -- a million adults are reached
20 weekly with TV Guide Magazine; and online, four million
21 unique visitors weekly. Just as an overview, I knew those
22 numbers were important to you.

23 Secondly, audience targets channel adult 18
24 to 49; online, adult 13 to 34; magazine, adult 18 to 54.
25 I'd like to take a good look now at a sample of the unique
26 entertainment and I want to be clear here, unique
27 entertainment. TV Guide Channel delivered and continued
28 -- will continue to deliver for TVG. This is an example

0120

01 of what we did for TVG for the Kentucky Derby last year,
02 and it's just a sample of what we intend to do.

03 (Presentation of Video)

04 MR. WILSON: Mr. Chairman, members of the
05 Commission and staff, that's the overview of the reach and
06 the power of our parent company. To bring our marketing
07 program down to earth and to apply it on a state basis.

08 I wanted to have our Vice President of

09 Marketing, Marcy Miller, who started with marketing uh
10 HBO, to give you an analysis and an overview of what we
11 are going to put into play in California to reach casual
12 and new fans with some degree of specificity. Marcy.

13 MS. MILLER: Thank you. And good afternoon
14 everyone. Let me start my presentation by addressing the
15 two issues, which seem to be of greatest concern to you,
16 Commissioner Landsburg and the rest of the Board and most
17 everybody in the room, and that is new fans and
18 distribution.

19 I'm a new fan. I have -- because TVG is the
20 only television network in the country where you can catch
21 a live sporting event, a live horse race, every day, 12
22 hours a day, seven days a week. I live in Los Angeles and
23 I have a Dish Network. For the past two years I've been
24 watching TVG on Dish Network. For \$19.95 a month, I get a
25 hundred basic satellite programs, satellite channels. One
26 of those channels is TVG. And as Mark pointed out, there
27 is distribution for TVG in millions and millions of homes
28 across the United States right now. It's phenomenal,

0121 watching TVG, I learned how to bet, and I've learned how
02 to handicap races. And if anybody knows me in this room,
03 and none of you do, but people who know me, know that
04 that's also phenomenal.

05 And I think consumers in California should
06 know about TVG. And here's how we plan to market our
07 product in 2002. We're going to concentrate our marketing
08 efforts in California. We'll reach potential new racing
09 fans with targeted direct response marketing. That means,
10 all of our advertising will have a simple call of action
11 to the consumer, "Watch TVG on Dish Network, Channel 405."
12 "Watch TVG on Adelphia Cable." "Log on to TVG
13 Network.com." "Call us AT 1-800, 1-888-PLAY-TVG." We
14 want you to get interested in the sport, and we want you
15 to open up an account. And we're going after the most
16 likely target audience. Who are they? Males, 25 to 54
17 years old. Sports fans interested in gaming, and we're
18 also going after females, same profile, women who love
19 horses, and women who love to gamble.

20 Now, as you just heard from Suzanne Meeks, we
21 have very powerful parent company media assets. Already
22 in California, we're over -- in over 5.5 million cable
23 homes with TV Guide Channel. There's over one million
24 readers of TV Guide Magazine every week in California.
25 That means people can go to over 12,500 retail outlets in
26 the state of California whether it's your local
27 supermarket or 7-11, and buy a copy of TV Guide Magazine.
28 Where ever there's a checkout counter, you'll probably

0122 have an opportunity to buy TV Guide Magazine. And what
02 does that mean? That means, for TVG, it means for all
03 their cable partners, it means for our track and horsemen
04 partners that we can promote racing, big racing weekends
05 at the checkout counter, at the very moment when people
06 are buying their groceries. We also have TV Guide online.
07 And there are over four million unique visitors every
08 month who go to that web site. TVG will run 30-second
09 direct response television ads on the TV Guide Channel
10 every day. And that is a lot of advertising. It's over

11 80 spots per week. And every week we'll put two full-page
12 ads in TV Guide Magazine in all nine California additions.
13 We'll be there on Saturdays for horse racing prime time,
14 between noon and 3:00 p.m. And we'll be there on
15 Wednesday's in the prime time listing section. And more
16 than that, TVG will have two horse racing covers in
17 California on TV Guide Magazine. That's a sample of our
18 TV Guide, TVG Magazine ad. And here's last year's TV
19 Guide Magazine Kentucky Derby cover. I think that's
20 really exciting.

21 MS. MORETTI: When are these ads going to start
22 running? I'm sorry.

23 MS. MILLER: As soon as we get approval to be in
24 the state.

25 MR. WILSON: Just to finish out the last part of
26 the -- of the marketing component, additional 30-second TV
27 ads on FOX Sports, ESPN, CNN and MSNBC, minimum of 50 ads
28 per week, Dish Network 30-second TV ads on FOX Sports and

0123
01 ESPN, in which additional local broadcast advertising in
02 all cable systems launched in TVG in 2002.

03 That basically is an overview of what we want
04 to do for our marketing and advertising components to go
05 out and reach casual and new fans. And I'll take any
06 questions that you might have. Thank You.

07 MR. LANDSBURG: I have a number of questions.

08 MR. WILSON: Yes, sir.

09 MR. LANDSBURG: I think the most important is,
10 among the things that we're still in need, do you have a
11 horsemen's contract?

12 MR. WILSON: Yes, we do. Our contract today, with
13 the track that we have today --

14 MR. LANDSBURG: -- TOC approval of your -- have you
15 negotiated with TOC on behalf of the horsemen?

16 MR. WILSON: Mr. Chairman, that answer involves a
17 little bit of help from Rick Baedeker, who's the President
18 of Hollywood Park.

19 In terms of the calendar year and under the
20 statute, it actually requires us to have an agreement with
21 the racetrack in order to start advance deposit wagering.
22 We have that agreement, with Los Alamitos, which races
23 year round. We have horsemen's approval at Los Alamitos,
24 which races year round, that's the statutory requirement,
25 regulatory requirement, and we comply with that.

26 As it relates to the meet coming out to
27 Hollywood Park, unfortunately, we don't have an agreement.
28 As all of you know, it's with Magna for Santa Anita. We

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01 used to have a contract with them, we don't anymore.

02 Our first pure Thoroughbred track is
03 Hollywood Park coming up in late April. And under our
04 agreements, we don't own racetracks. We do television.
05 We're owned by a television company, obviously. So under
06 our agreements, our track partners negotiate with the
07 horsemen's group, in this case the TOC, to allow us to
08 take Hollywood Park signal outside of California and
09 beyond. And we have had discussions at the invitation of
10 the TOC and our track partners. And I do think that Rick
11 Baedeker, who's the first track up in late April, will be
12 able to reach that agreement with the TOC. The

13 conversations have been cordial and productive, but I'll
14 let Rick speak to that directly.

15 MR. LANDSBURG: I would like to ask for just a
16 moment because we're going past something that was part
17 and parcel in the license agreement. I don't know that
18 the license agreement that you are requesting is valid
19 without a horsemen's negotiation.

20 Therefore, I put that question to our
21 Attorney General. Before you speak, John.

22 MR. BLAKE: Basically, granting the license if
23 they have an agreement with Los Alamitos and the Quarter
24 Horsemen's Association.

25 MR. HARRIS: I'm not clear where you may have an
26 agreement with Los Alamitos, which would take care of
27 that, but we're -- where a California resident is betting
28 on a Thoroughbred race, in say Arizona, does TOC get in
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01 the loop somehow on Thoroughbred racing out of state?

02 MR. WILSON: Commissioner Harris, that's exactly
03 correct. Under the statute, the approval to operate an
04 out-of-state hub, we have a contract with one racetrack.
05 We satisfy the requirements in the statute -- as the
06 Attorney General mentioned.

07 When it comes time, for instance, to take
08 Hollywood Park signal out of state, under the interstate
09 horse racing act, just like for any of their simulcast
10 agreements, consent is required from the horsemen's
11 organization, in this case, the TOC.

12 And as I mentioned before, though we are not
13 a direct party to those discussions, we have been invited
14 to those discussions, and I believe we'll reach that
15 agreement. Because I would think that the TOC would
16 certainly want the opportunity to have its races
17 distributed across the country and throughout the world
18 with our distribution system.

19 So I think that will happen.

20 MR. HARRIS: Yeah. I just wasn't clear on the flow
21 of funds. When a Californian is displayed under the Magna
22 or was -- a situation of some sort of percent coming back
23 to California. But if a Californian bets out-of-state on
24 a race, is that subject to negotiation with somebody or is
25 that just a set fee or what?

26 MR. WILSON: Yes. That negotiation takes place
27 between our racetrack, and in this case, Hollywood Park,
28 Del Mar or Oak Tree at Santa Anita. In this case the TOC.
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01 MR. HARRIS: So that hadn't -- well, my concern was
02 that really hasn't taken place yet, though. Maybe Rick
03 knows.

04 MR. WILSON: No. There's negotiations on it taking
05 place.

06 MR. BAEDEKER: Rick Baedeker from Hollywood Park.
07 We submitted to the Board our license application for our
08 spring/summer meets, I think, as of today, and it likely
09 will be on the agenda next month, if not next month,
10 certainly March.

11 In that application, we will stipulate that
12 we will send our signal to TVG. That's a signal that's
13 going out of state, and we are required, as you know, to
14 have horsemen's approval of that contract with the

15 recipient. In this case it will be TVG. So this issue is
16 going to come up again. Within the context of Hollywood
17 Park's application to conduct a race meet. Theoretically,
18 if we reached that point, and we did not have an agreement
19 with the horsemen, we would have a real problem. We would
20 either not be licensed or we would have to -- we would be
21 precluded from sending our signal to anybody, not just
22 TVG, without the horsemen's approval.

23 MR. WILSON: And I might mention, if I could
24 Commissioner Harris, maybe this was what you were driving
25 at with your question. The TOC consent involves,
26 obviously, Hollywood Park sending its signal out-of-state
27 whether it be our distribution or otherwise. In the state
28 the statute clearly sets out what happens with the

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01 distributable revenue. It gets allocated according to the
02 statutory provisions.

03 For instance, even though we don't have an
04 agreement with Magna and Santa Anita, their horsemen at
05 that racetrack during -- at that their particular zone
06 gets monies according to the statutory distribution
07 system. This is very similar -- our source marketing
08 system, where we've given two and a half million dollars
09 to Kentucky horseman that's done by contractual
10 negotiations between the tracks and the horsemen in
11 Kentucky. In California, if you really look at the
12 statute, all that we've done is, is we said, okay, the
13 source market fees are going to be distributed according
14 to this statutory division. And so that takes place for
15 the handle that occurs here in California.

16 MR. MC NUTT: If I could add one point Commissioner
17 Harris, back to your previous question.

18 Basically, the way that statute is
19 interpreted, I believe it's the -- obviously, we have an
20 agreement with California racing association and their
21 horsemen are running live right now. If somebody with TVG
22 places a wager on an out-of-state race right now,
23 regardless of the fact that whether we have an agreement
24 with anybody else, that gets divided pursuant to the
25 statute. For day's, Thoroughbred racing for instance, I
26 believe that the money goes to the track in the southern
27 zone running live during the afternoon. So there are --
28 several protections of mandate distribution that's the

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01 same, which are almost regardless -- basically, regardless
02 for the statutory and it's not contractual.

03 MR. VAN DE KAMP: John Van de Kamp, TOC. I'd like
04 to just try to place this all on some prospective today,
05 if I can. Because it is indeed a complicated situation
06 that we're walking into right here.

07 First of all, we value what TVG is doing, and
08 the direction their going in terms of distribution.
09 They're not going as far as we would like. I think if I
10 do my arithmetic, the actual -- as opposed to the future,
11 which showed that they have -- I think it's around 700,000
12 Dish customers here, maybe 100,000 coming in from Adelphia
13 through their digital, and that in time will increase.
14 But again, it's a big world out there. Thirty million
15 people that we would like to hit.

16 Second, with respect to -- what happens they

17 get licensed today with the Los Alamitos deal? There is a
18 variable and that is what they get as a hub provider.
19 Now, they have a contract as a hub provider, I gather with
20 Los Alamitos for a certain amount. That can vary by the
21 way, depending on with whom they're negotiating and what
22 is finally arrived at. So it's not just all a California
23 statutory distribution mechanism, but that's an important
24 variable and certainly it had its place with respect to
25 our negotiations with MEC.
26 What happens next is if they're licensed
27 today, they only bring in races, I believe from around the
28 country under this license. Thoroughbred races during the
0129 day and during the night. So it's not just, you know,
02 during the Los Alamitos night portion. And the horsemen's
03 revenue go to the track that's running -- it could be a
04 Santa Anita, believe it or not, despite the fact that we're
05 at opposite ends of the situation here, depending on where
06 the better is located, a complicated thing that our CHRIMS
07 people are going to have to work in conjunction with them.
08 The statutory distribution from California
09 residents is pretty well set by law with that one big
10 variable. With respect to out-of-state bets into
11 California they'll only be able to bet really on Los
12 Alamitos right now.
13 So there's a contracted fee that I imagine is
14 substantially less than we would be getting from MEC. At
15 the same time, we are prepared to meet with them and we
16 have met with Mr. Wilson and Mr. Baedeker and the others
17 who are track contractors with TVG to hopefully work out
18 an agreement that is favorable to them as well as to the
19 horsemen. A fair and equitable sharing arrangement,
20 giving them credit for where they are today. Of course,
21 with the hope that they're going to expand the number of
22 people who receive their signal.
23 MR. LICHT: John, could you describe or maybe you
24 and Mark, the difference -- if Hollywood Park starts and
25 we're operating under this license for Los Alamitos --
26 forget that.
27 Right now, on the bets, say that comes in
28 from out of state through TVG, what's the difference
0130 between what California horsemen would receive under the
02 TVG system and under the system that you negotiated with
03 Magna.
04 MR. VAN DE KAMP: I think based on -- I think the
05 traditional contract that they have, and I think this is
06 public knowledge, that the horsemen would get under that
07 contract about 1.4 percent at the end of the day.
08 Under our contract with MEC, the horsemen's
09 agreement, we will -- believe that on a blended basis
10 we'll be getting someplace between four and five percent.
11 MR. LICHT: And Mark, can you tell us what the
12 benefit is -- do you have someone you want to address that
13 first?
14 MR. WILSON: Please, Commissioner Licht. Your
15 question was, is when we bring races in out-of-state, I
16 think.
17 MR. LICHT: Right.
18 MR. WILSON: John's referring to a host track fee,

19 which is a separate issue that might be the subject of
20 negotiations between Hollywood Park and the TOC.

21 When we take wagers on races from out of
22 state, that was the entire purpose of this statute, is to
23 have a distribution system in place, so that when we took
24 a wager, for instance, on a New York race, that California
25 horsemen and California racetracks would participate in
26 that takeout distribution according to the statutory --

27 MR. LICHT: Right. I understand that.

28 MR. WILSON: The variable that Mr. Van de Kamp
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01 talked about, is that he has negotiated apparently, I'm
02 not party to this agreement obviously, but he's negotiated
03 an agreement that apparently has host track fee components
04 in it that is different than our standard deal that we've
05 done across the country.

06 Now, as it relates to the Hollywood Park meet
07 coming up, we satisfy the statutory regulatory criteria
08 for getting a license. If for whatever reason Hollywood
09 Park and the TOC, and we're always happy to be part of the
10 negotiations, Mr. Van de Kamp's been very cordial to us
11 and invited us into those negotiations, but if for
12 instance, something didn't happen, and the approval wasn't
13 given for the wagering that we take on out-of-state races
14 in California through our distribution system, horsemen
15 and the racetracks in California are fully protected
16 according to the statutory distribution system that is in
17 place. That was the whole focus behind the statute, is to
18 keep this stuff from just disappearing out of state or
19 worse yet, offshore.

20 MR. LICHT: Right. Let's take it to the -- my next
21 question, when you -- if you were licensed and you were up
22 running tomorrow, you are going to try and convince
23 California residents to bet on your menu of tracks, the
24 fairgrounds, whatever else you're showing at this
25 particular time. Isn't that going to have a negative
26 impact on California horsemen until the Hollywood Park
27 meet starts?

28 MR. WILSON: No, Commissioner Licht. It's the same
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01 thing Magna's going to do. They said to you in their
02 presentation, for instance, that they have agreements with
03 other tracks.

04 The whole purpose behind passing this
05 legislation was that we knew people were setting up
06 accounts in Pennsylvania and New York offshore betting on
07 what they wanted to bet on. So the principle for us
08 behind the legislation was, let's keep the money in this
09 state, regardless of what you're betting on. So the
10 horsemen can be properly compensated and the tracks can be
11 properly compensated.

12 We will, to your point, obviously promote the
13 heck out of Los Alamitos initially. And then assuming
14 that the issue gets worked out between Hollywood Park and
15 the TOC, and I have every confidence that it will, we'll
16 promote the heck out of Hollywood Park racing and Del Mar
17 racing, et cetera. Just as we do for other tracks. But
18 the important point is, is that the horsemen and the
19 tracks are being compensated and set up and agreed in a
20 statute.

21 MR. LICHT: I understand that. But I'm saying that
22 Saturday afternoon I've got a hundred bucks to bet. It's
23 better for the horsemen in California if I bet that on
24 Santa Anita track through ADW then if I bet it on the
25 fairgrounds through TVG?
26 MR. WILSON: It's the same percentage that's going
27 back under the statute.
28 MR. HARRIS: That's the part I don't understand.
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01 Because I understand that TOC has negotiated the better
02 arrangement than the statute arrangement.
03 MR. LICHT: Right.
04 MR. VAN DE KAMP: No there's a variable. And I
05 think we better make ourselves clear. I don't want to
06 have any misunderstandings. I don't know if Mr. Wilson's
07 not trying to cause that either. And this is a
08 complicated subject. It takes a little time to get it to
09 sink in. We've all found that out.
10 The kind of arrangement we worked out with
11 MEC provides for a lesser ADW fee to them, than I think is
12 part of their contract with Los Alamitos. And so the
13 differential between those two ends up coming back to the
14 tracks and the horsemen. So that's not all in statute,
15 there is some wiggle room there in terms of the
16 understandings that are reached between the horsemen and
17 the particular ADW provider.
18 MR. WILSON: And, Commissioner Licht, I might add
19 to that, I think John's right, assuming he's right.
20 He negotiated a different deal with them. But
21 I don't have any problem detailing exactly what our model
22 looks like. We've been pretty candid about this from the
23 get go.
24 We take five-and-a-half percent out of every
25 dollar that's wagered. To date that obviously hasn't been
26 enough. Because, you know, we've got invested in this
27 operation about \$150 million dollars, as I said early, we
28 hope to make up for the negative costs that we absorb with
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01 advertising revenue in the day.
02 So to John Van de Kamp's point, it's
03 certainly in our best interest, and we're working as hard
04 as we can to get broader distribution. Because with
05 broader distribution you increase -- the advertising
06 component of our motto.
07 But I don't make apologies and I think we
08 should for what we have performed on to date, in terms of
09 building the distribution that we have. The wagering
10 platforms that we have. The marketing programs that we
11 put into place. That costs money. And we've been up
12 front about this from day one. We take five-and-a-half
13 percent out. The tax rate in Oregon is quarter of a
14 point, and as you also know, we pay a half a point to the
15 NTRA and that money goes back in to where this programs,
16 marketing programs et cetera.
17 So you can look at it as if we're taking a
18 fee of five-and-a-half percent to do everything that
19 you've seen that we've done or you can look at and say
20 it's six-and-a-quarter, if you add in the quarter of a
21 point for the tax rate, and the half a point fee to the
22 NTRA. In any iteration it's less than the statutory

23 percentage that's set out at six-and-a-half percent.
24 So I guess to your point, I can't comment on
25 whether or not a bet on Santa Anita under advance deposit
26 wagering is producing a slightly -- a slight bit more
27 revenue if it's done under the deal that he did there
28 versus under our system. Under the statutory
0135 distribution, it's the same.
02 MR. LICHT: I understand that. The statute is what
03 it goes to everybody.
04 MR. WILSON: It is. That's why we all worked hard
05 to pass it.
06 MR. LICHT: But my understanding is that the TOC
07 negotiated a more favorable -- my understanding it's a
08 fact, he's negotiated a more favorable deal with Magna
09 than what the statute requires.
10 MR. WILSON: And I assume that's correct. Again, I
11 haven't seen it. What we are doing requires an enormous
12 amount of money, as you know. Our distribution of eight
13 million homes passed in the United States stands on its
14 own. Our distribution to close to a million homes passed
15 in California, alone stands on its own. And I don't have
16 any more to add to that.
17 MR. VAN DE KAMP: Mr. Chairman, John Van de Kamp,
18 again.
19 The statute just lays out the maximums for
20 what the ADW providers can get. And it also lays out
21 maximums for out-of-state host fees that we pay.
22 And I think it's -- Mr. Wilson, I think we'll
23 both agree there are pretty major differentiations, you
24 know, beneath those rates. Hopefully, when it gets to
25 what we're paying for out-of-state races, we want to pay
26 as little as possible. Because then it goes back into our
27 industry.
28 MR. HARRIS: -- concede TVG, you know, has a
0136 distribution network that will enhance what we're trying
02 to get, but it does look like the dollar -- say for
03 example, a dollar placed on Magna's -- a California
04 resident paid a dollar on Turf Paradise, will
05 return less to -- California, it would return more to
06 California invested through MAGNA, than invested through
07 TVG and maybe that's okay because of the total picture but
08 (unintelligible) it's not exactly the same deal.
09 MR. WILSON: That again, Commissioner Harris, I'm
10 speaking to something I don't know about. Because I
11 wasn't party to that agreement. But I think your point's
12 well taken.
13 We have marketing components that you have
14 seen today and before. We have the distribution systems
15 in place that you have seen today and before. And we feel
16 that the price that we charge for doing what we do, the
17 five dot five, considering the scale that we operate on
18 and the scale that we want to operate on, is a fantastic
19 deal for racing. Because in the end we have to have some
20 pretty strong advertising revenues to make uh, this whole
21 thing add up.
22 MR. LANDSBURG: What happens if you don't? Where
23 does it come from?
24 MR. WILSON: Well, that's a business risk, uh,

25 Mr. Chairman, that anyone undertakes as you well know.
26 We started into this with our eyes open. Our
27 fee is five dot five, that's where it started at the
28 beginning. We're very comfortable that in markets where
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01 we've been allowed to deploy with no question about that
02 deployment, whether it be Kentucky, whether it be
03 Maryland, now, hopefully, here in California if we get the
04 approval that we execute on distribution.
05 In Maryland, for instance, now, we're on all
06 of the Comcast Digital systems and that's important
07 because that gives us the ability over the next year or so
08 to do the remote control wagering, which we highlighted.
09 MR. LANDSBURG: In your experiences therefore,
10 Mark, there's been a rise or a lowering of on track
11 attendance?
12 MR. WILSON: To date, I think if you look at
13 account wagering across the country and you look at it in
14 terms of contributions --
15 MR. LANDSBURG: No. I was asking your specific --
16 please, give me specifics. Now, let's not have a lot of
17 blue smoke, there's enough floating around this room.
18 MR. WILSON: Okay. Okay.
19 MR. LANDSBURG: What specifically can you point to,
20 as your account wagering that's been in place, produced in
21 terms of on track attendance?
22 MR. WILSON: In terms of attendance, then Kentucky,
23 which is the market where we've been most involved.
24 Attendance in Kentucky has been relatively static, as you
25 know.
26 In terms of purses, contribution to purses,
27 for the first four years that we were there they went up.
28 Last year they went --
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01 MR. LANDSBURG: Apples and oranges, Mark. Don't
02 give me apples and oranges. On track attendance --
03 MR. WILSON: -- I'm no Ferris Bueller.
04 MR. LANDSBURG: -- new fans is what we're talking
05 about. Now, as you haven't been able to accomplish new
06 fans, then what can we look to?
07 MR. BAEDEKER: Rick Baedeker, Hollywood Park. In
08 response to your question, I can answer as it relates to
09 Churchill Downs.
10 TVG has been in Kentucky for many years,
11 broadly distributed for the last two years. There has not
12 been a decline in attendance at Churchill Downs until this
13 last meet. And I believe that if you asked the people
14 that work more directly at Churchill Downs, they would
15 attribute the decline to the Riverboat, the Ceasar's River
16 Boat that has been expanded across the river from them,
17 about 15 minutes away. Up until that point, there hadn't
18 been any decline.
19 and I believe, and maybe the TVG folks know
20 better than me, but I believe the first meet after TVG was
21 deployed in Lexington, Kingland showed an increase in
22 attendance at that first meet. I don't know what the
23 numbers have been since then. The uh -- the last meet for
24 Kingland and that was while they reported Kingland set a
25 record for live attendance.
26 MR. LANDSBURG: Mr. Pizance, that's the first time

27 we're (unintelligible).
28 MR. PIZANCE: Okay. Mr. Chairman and Board again,
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01 just sitting in the back room and looking at these two
02 presentations, but again -- may be a simpleton's thoughts
03 and I'm addressing Mr. Leight's comment.
04 MR. LICHT: Licht.
05 MR. PIZANCE: Mr. Licht, if I were selling apples
06 and I said to you, I'm going to sell so many apples a
07 dozen and I'm going to give you 70 percent of the profits.
08 and another fellow said I'm going to sell 500 dozen apples
09 and give you 50 percent of the profit, would you buy the
10 fellow that's just going to sell the small amount of
11 apples? Because you thought you made a better deal?
12 In other words, you have to look at
13 distribution and think what is the opportunity for volume
14 and distribution versus what's the mark up on not much
15 distribution. I made a comment earlier today, and anyone
16 can refute it.
17 To the best of my knowledge, today is if the
18 person you license previously today starts tomorrow, they
19 have three thousand customers. Now, whatever they're
20 margin is on that, probably isn't going to generate the
21 kind of income you're looking for the state, I would
22 think. It's going to take them a long time for them to
23 build that. And you need to focus on that, I think,
24 rather than the deal.
25 MS. MORETTI: You know, if I may, Mr. Pizance, I
26 agree with a lot of the things that you said, but I think
27 that we're walking a little bit -- we're walking away from
28 what our charge is here.
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01 A new law has been implemented in California
02 to allow for ADW. We as a Board, as a regulatory Board,
03 appointed by the Governor are here to approve or deny or
04 delay applications.
05 And for as much as we all want a new fan
06 base, and this is why this whole law got passed in the
07 first place, we have certain requirements from which we
08 are coming from in terms of our vote as to who does or
09 does not get licensed in the state and -- so just because
10 someone sells more apples or doesn't, that doesn't mean
11 that we don't get to give that person or that group a try.
12 If they fulfill the obligation, again -- if they fulfill
13 the obligations that we and the law have laid out.
14 So this is where we're coming from. We all
15 want what you say. I love what TVG does. I've watched
16 them for a long time. But I think that we have an
17 obligation to make sure that we do our best -- as best we
18 can to carry out what we're here for.
19 MR. PIZANCE: I agree 100 percent with that, but
20 that really wasn't the point that I was making. I was
21 trying to talk to Mr. Licht, specifically about margins
22 and profitability.
23 In other words, what am I getting paid for
24 this bet. And what I'm trying to say to you whether one
25 person pays you 4.3 and the other one 1.7. If you believe
26 that the 4.3 is a better deal but you only get five sales
27 instead of 500, you've lost. You thought you made the
28 best deal, but you didn't. You just have to understand

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01 that, that's -- when you're talking risk -- that's
02 something when both of these firms start in this progress
03 we don't know one which will be the greatest.
04 I watched the presentation. This room has as
05 far as media and delivery and distribution, et cetera. I
06 think it's pretty clear, who's got the edge today. What
07 it's going to be in a month or two, I don't know, but I
08 know where I'd bet.

09 (Audience Applause)

10 MR. LANDSBURG: Lonnie.

11 MR. BLONIEN: Thank you Mr. Chairman and members.
12 Rod Blonien representing Los Alamitos Quarter Horse Racing
13 Association. What really is before us is the TVG license
14 application to do ADW for Los Alamitos.

15 We have had a lot of discussion about
16 Thoroughbred racing -- this is the opportunity for Los
17 Alamitos Quarter Horse racing to access millions to
18 millions of homes in the country available through the TVG
19 system --

20 MR. CHILLINGWORTH: Sherwood Chillingworth with Oak Tree
Racing.

21 You've been asking for specifics and I think I have one
22 for you at any rate.

23 To demonstrate the effectiveness of TVG. Doug
24 Burgess is here in the audience from CBAI. He and I put
25 on the Cal Cup every year. And we tried the million
26 dollar guarantee Pick Six for three years of the last
27 five. Of two of the last three we were well below the
28 million dollar guarantee. We did \$874,000 I think in 1998

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01 and \$972,000 in 1999.

02 One of Mark's associates called me back in
03 September and said, Chilli how about our doing something
04 for the Cal Cup and in return you can have a race for us.
05 And I said, okay let's talk about it. So it suddenly
06 occurred to me, I called back and I said, let's get them
07 to put the purse -- for the two weeks prior to Cal Cup,
08 stress our million-dollar guarantee Pick Six. And the
09 fact of the matter is, for the first time in the history
10 of Oaktree and Cal Cup, we exceeded the million-dollar
11 guarantee. And they did a terrific job in promoting it.

12 I'm just saying this is a great example of
13 the reach of TVG, to get to the people you want to get to.
14 Now, what -- this bring in new members and I can't
15 demonstrate that, but -- new fans. But it does show that
16 they have an honest impact. Thank you.

17 MR. LICHT: Thank you, John. We have a couple of
18 other people who will be speaking.

19 MR. LICCARDO: Ron Liccardo, Pari-Mutuel Employees.
20 I have to say the same thing I said before, which is I'm
21 opposed to the application because I don't believe they
22 satisfy the provision where you discuss anything with
23 labor about jobs.

24 So until somebody discusses with me about
25 jobs. I guess we voted -- one person that has been
26 approved. Thank you.

27 MR. LANG: Mr. Chairman and members, Joe Lang.
28 Mark Wilson here with TVG and the company asked me to sort

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01 of follow up with Mr. Liccardo's statement, just to make
02 it clear, there are a couple of issues that are left to
03 resolve with regard to moving a hub into the state of
04 California.

05 Once those issues are resolved, I think it's,
06 in fact, TVG's desire and intent to sit down and get
07 negotiations with Mr. Liccardo and the Pari-Mutuel Clerks'
08 Union to have those employees and those jobs be, in fact,
09 union jobs; and I think that we can commit to that. It
10 was part of the discussions with regard to the legislation
11 this year. And I think in the spirit of goodwill and
12 fulfilling commitments that that would happen.

13 MR. LANDSBURG: I'm not sure I quite understood
14 what you just said. Does that mean you are going into
15 negotiation? You are not interested in negotiation?
16 You've never been interested or will be? But you're not
17 there.

18 MR. LANG: I think -- I'll let Mr. Wilson expand on
19 this, but the point that Mr. Liccardo is raising is when a
20 hub is located in the state of California, which TVG is
21 not yet. But when a hub is located in California, the
22 commitment and the spirit of the law was to make those
23 employees, union employees, and in fact that commitment
24 would be upheld.

25 MR. LICHT: Are you an employee of T -- T -- TVG?

26 MR. LANG: I'm a consultant. I'm the registered
27 lobbyist for TVG --

28 MR. LANDSBURG: Let me come back to what I think is
0144 crucial here.

02 TVG has its studios here. I think that's a
03 plus, but we're talking about people within the racing
04 industry who by what you are asking us to license, will
05 lose some of their jobs because the audience, an unproven
06 ability to bring in a new audience, is going to mean a
07 lessening of audience, probably, and jobs going bye-bye.
08 And I don't think we can in good conscience give you a
09 license until we know that you are going to support that
10 kind of group within this -- within this state.

11 Because that's what this is all about. That's
12 what this meeting is all about. What's good not only for
13 TVG, and not only for horsemen, but what's good for all
14 the people who are working inside racing. I don't hear it
15 now.

16 MR. WILSON: I'd like to respond to that. Today we
17 have 200 plus jobs in California. At the studio it is in
18 support and capacities. Our parent company, News
19 Corporation and Fox has enormous investment in union and
20 nonunion jobs, and they're part of us --

21 MR. LANDSBURG: -- racing, racing?

22 MR. WILSON: -- we're a business unit of that
23 company.

24 MR. LANDSBURG: -- please.

25 MR. WILSON: In Oregon, where we have customer
26 service representatives, those are about 30 to 35 jobs.
27 We have a tax rate issue, which is also very important to
28 California.

0145
01 If the tax rate issue, is such, that that tax
02 rate is the same as what we pay in Oregon, we'd be happy

03 to move down here, and we'd have an incentive to do so.
04 Because we would want all of the those jobs in one
05 location from the efficiency standpoint. If the tax rate
06 is much higher, what happens is that under the statute
07 horsemen and racetrack partners get less significantly
08 less than they otherwise would. So these issues --

09 MR. LANDSBURG: -- are there jobs?

10 MR. WILSON: No. If the tax rate in California,
11 Mr. Chairman, is 1.2 percent or higher there's a full
12 percentage point that is taken away from horsemen and the
13 racetrack in California. If we can get resolution on that
14 very important issue, we have every incentive to have all
15 of our employees in one place, but that's a very important
16 issue for every single person in this audience. Because on
17 scale, it can amount to a tremendous amount of money. But
18 the statute and the regulations itself, the statute and
19 regulations clearly authorize approval of an out-of-state
20 hub. And we comply with those statutory and regulatory
21 requirements. Thank you.

22 MR. LANDSBURG: In so far as labor is concerned?

23 MR. WILSON: Yes.

24 MR. LANDSBURG: I just want to be sure, that's all.

25 MR. WILSON: Yes, Mr. Chairman.

26 MR. LANDSBURG: -- I don't want to be out on those
27 limbs. But -- now, what about this goodwill promise that
28 we just heard? What is that going to amount to?

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01 MR. WILSON: Mr. Chairman, I just explained that
02 assuming the tax rate issue could be handled because it
03 has an enormous impact on scale to horsemen and the
04 racetracks --

05 MR. LANDSBURG: But that's a negative, Mark. That's
06 a negative. Are you going to go up and ask for that? Are
07 you going to try and try to put that --

08 MR. WILSON: Yes. Yes. Yes. We're working on
09 that now. Our counsel is working on that issue now. But
10 it does cost us money to move jobs and to move operations
11 down, which we want to do because it would better from our
12 standpoint to everything under one roof.

13 MR. LANDSBURG: Any more discussion? I'm sorry.

14 MR. HALPERN: Ed Halpern, California Thoroughbred
15 Trainers. I would just like to renew my objections I
16 raised to the earlier licensing application. And to point
17 out that I, like most, am very confused about all this.
18 The rush to judgement has created that confusion for all
19 of us. Mr. Wilson points out that at least, not as far as
20 Los Alamitos is concerned, but at least as far as the
21 upcoming meets, the agreement will be between the
22 horsemen's organization and the racetracks, not between
23 the horsemen's organizations and TVG. Yet in the prior
24 situation with Magna the contract signed by Magna is
25 actually not by the racetrack, but it's by Express -- Jim
26 Mc Alpine is President of XpressBet. So you got the
27 different entities coming to contracts and it may well be
28 the correct procedure, but I don't understand it. And

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01 given that none of us seem to, it would be nice to know
02 that we all understood what was going on before we -- we
03 approve the application.

04 Thank you.

05 MR. LICHT: Would it be safe to say that you on
06 behalf of the CTT do not believe the statutory parameters
07 adequately protect the horsemen?
08 MR. HALPERN: I believe that there are --
09 apparently, some things in the statute that are left to
10 confusion. Whether were -- yes. I would say that it does
11 not adequately protect the horsemen.
12 MR. LICHT: I'd like to hear from Mr. Van de Kamp
13 on that, too and hear TOC's recommendation on this
14 application.
15 MR. VAN DE KAMP: We expect to negotiate with them
16 with respect to Hollywood Park and the other tracks that
17 are sending signals out of state. I can't speak -- and I
18 don't want to interfere with respect to Los Alamitos. And
19 I guess I'm not going to object to their license here
20 today. Because what happens in the next couple of months
21 over there, you know, may not be very much to talk about.
22 But once you get to the Hollywood Park meeting, obviously,
23 at that point, there will be a different contract. I'm
24 looking forward to, you know, talking with Mark and
25 working our way through that with him at that time.
26 MR. LICHT: I'll ask John a question then, behind
27 that -- or Mark.
28 One of the things that convinced me, in
0148 connection with Magna's application or from XpressBet is,
01 basically, as I see it, there's no cannibalization because
02 it's the same to the horsemen, or virtually the same,
03 whatever arena the bet is placed in. And that's one --
04 that's the only thing that concerns me with the TVG
05 application.
06 MR. WILSON: Again, in our application,
07 Commissioner Licht, other than this variable, which I'm
08 unaware of, which means that the hub fee that we charge
09 five and a half percent for, apparently, Magna's system is
10 taking something less. That's the only variable that
11 we're dealing with here today. And again, I think the
12 proper way to review that is, is that were in hopefully,
13 800, 900,000 California homes with real television, and
14 real programs and wagering platforms today.
15 So whatever that variable is, I don't know.
16 Mr. Van de Kamp has said, that from the TOC's perspective
17 that they view where we're at today differently than where
18 MEC is today, with primarily the Internet wagering service
19 and a satellite service that can be seen by 3,000 people.
20 There's quite a bit of difference.
21 And I would presume that if Magna is
22 successful and does build real distribution, that fee may
23 increase or stay the same. I don't know. But there is a
24 qualitative and a quantitative difference between where
25 we're at today on that point.
26 MR. HARRIS: Just a point of information, how long
27 are we proposing to approve these licenses for?
0149
01 THE BOARD: Two years.
02 MR. HARRIS: Is it two?
03 THE BOARD: -- the normal term of a license is two
04 years. The Board could, of course, condition it
05 differently.
06 MR. HARRIS: -- you really got two different models

07 here, which are really involved, you know, different types
08 of marketing strategies -- bothers me to do these for two
09 years without having a chance to revisit them.

10 MR. VAN DE KAMP: John Van de Kamp, again. I don't
11 want to add more confusion to this business, but again, in
12 terms of models, we now have one until November 15 with
13 MEC. That is a model that's been negotiated and approved
14 by both the tracks, and MEC, XpressBet, whatever you want
15 to call it.

16 With respect to TVG, the horsemen in
17 California, they will be working out, in a sense, a model
18 that may be different in some ways than it is with MEC.
19 That will all depend, and we'll be back before you I'm
20 sure. Because for them to carry California races out of
21 state, they're going to have to have an understanding with
22 us, and I'm sure that we'll work productively together to
23 try to get there.

24 So right now, you have the Los Alamitos
25 situation in front of you, and for the remainder of the
26 year, basically, because they have Hollywood Park. They
27 have Del Mar. They have Fairplex. They have Oak Tree,
28 really up until that time. You'll have different

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01 horsemen's agreements that might be different from the
02 ones that they have at Los Alamitos. So the model -- all
03 I'm saying -- is it could well change, depending on the
04 final understanding we have.

05 MR. HARRIS: -- as far as the TVG model, do they
06 have any plans in Northern California or does Northern
07 California fairs have any talks with the TOC?

08 MR. WILSON: Chris, you might want to speak to this
09 point, but we've had numerous discussions with Chris
10 Korby, in terms of the fairs, and we'd be delighted to
11 enter into a relationship with them to show more fair
12 racing on TVG.

13 MR. LICHT: On an exclusive basis?

14 MR. WILSON: Exclusive or nonexclusive, their
15 choice.

16 MR. LANDSBURG: Mr. Liebau.

17 MR. LIEBAU: Yes, Jack Liebau from Magna
18 Entertainment. I would just like to state what the Magna
19 position is.

20 We believe that anybody that meets the
21 criteria for the license, should be licensed. We think
22 that multiple providers in the marketplace will serve the
23 California industry well and that competition will be good
24 for everybody.

25 Thank you.

26 MR. ALLRED: Ed Allred, Chairman of Los Alamitos
27 Race Course. I want to reiterate what Jack just said.

28 We are in favor of the Magna model being

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01 approved and we're also certainly very in favor of the TVG
02 model also.

03 Because we believe in TVG. We think they've
04 showed today what effective their marketing model is. Our
05 horsemen are strongly in favor of it. And we're ready to
06 go ahead. And we appreciate your approval of our -- the
07 application for TVG.

08 MR. SPERRY: Let me, if I might add, ask you a

09 question. You have a current agreement with Dish to cover
10 800,000 people or whatever it is. Is it an exclusive
11 agreement that says that you can't put your television on
12 DirectTV, as an example, currently?

13 MR. WILSON: No, Commissioner Sperry, there is no
14 such restriction. Our agreement with Dish was negotiated
15 a couple of years ago, and it's for carriage of TVG on a
16 long-term basis, on every single platform Dish has,
17 whether it's their -- they do different marketing tiers,
18 but whether it's Top 100 Platform, Top 400 Platform, Top
19 40 Platform, TVG's on all those tiers, and we'll be
20 long-term.

21 MR. SPERRY: You mentioned that there was
22 negotiations going on from one company to buy the other.
23 Is there separate negotiations in the event if that fails
24 that you're trying to get on DirectTV? Which probably
25 covers more people in Southern California than any other
26 Network there is.

27 MR. WILSON: As best we can tell to your point,
28 Commissioner Sperry, DirectTV has around one million

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01 Californian homes. Dish has about 700,000 Californian
02 homes, but you probably know that Dish was successful in
03 buying DirectTV? The big question is, is whether or not
04 that will get regulatory approval over the next nine to
05 twelve months. If it does get regulatory approval, we
06 believe -- in a position, it doesn't have the constant
07 dialogue with DirectTV today about working out our own
08 deal. And obviously, for DirectTV it has a big presence
09 here. Our ability to be licensed in this market will be
10 very important. Because that's how they obviously make
11 some money, too.

12 MR. SPERRY: Well, then obviously it helps the
13 people in California so you don't have to buy more than
14 one dish?

15 MR. WILSON: Right.

16 MR. LANDSBURG: Further discussion.

17 MR. KORBY: Chris Korby, California Authority
18 Racing Affairs. I'd just like to confirm what Mark
19 offered before, that we are in discussions with TVG for
20 carriage of the California fairs.

21 MR. LICHT: I'd like to just go over one more thing
22 with Mark and reiterate, because I think your product is
23 just sensational and I'm a big fan of TVG's, but I'm
24 really concerned of -- I understand what Mr. Pizance said,
25 if we can increase the betting volume, uhm, it's better to
26 increase the betting volume even if it's at a reduced rate
27 for the horsemen. I understand that principle.

28 What I'm concerned about is if we don't

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01 increase, and we're -- and we've had our cannibalizing or
02 our existing fan base, and I'm not sure that the evidence
03 is clear that what you've done before isn't just that, so
04 that if you do cannibalize, it's not a good result for the
05 California horsemen. And therefore, I might be more
06 comfortable with a shorter term as long as these higher
07 rates are in effect, until we can see what happens with
08 the cannibalization.

09 MR. LANDSBURG: Good idea.

10 MR. WILSON: If I could speak to that Commissioner

11 Licht. The experience in the other states where there is
12 television, whether it's Pennsylvania or New York, shows
13 that purses have grown dramatically. And in both of those
14 states, to Magna's point earlier today, there is a fairly
15 broad television distribution. In Kentucky, for instance,
16 other than with two million dollars -- promoted and hit
17 last year, purses went up substantially for the four years
18 that we've been in that state.

19 And again, I think racing will be like any
20 other sport. The critical element is that if there's a
21 broader distribution, demand for the product goes up, and
22 purses should go up as a result. We've seen that every
23 where else that account wagering has been implemented.
24 And I think the same will be true here.

25 MR. HARRIS: I would agree with Roger that -- I
26 mean, I feel that it -- the likelihood that it's going to
27 be an excellent model. But it seems that if the XpressBet
28 effectively only goes through towards the end of this
0154 year, that it keeps everybody on an equal playing field of
01 -- that this will generally go to possibly, like, December
02 31st or -- something.

03 MR. LANDSBURG: Suzanne, based on the fact that TVG
04 is going to -- if we approve the license, will it be
05 broadcasting for the moment out-of-state racing and
06 Quarter Horse racing? Will the same support be available
07 for just the Los Alamitos Racing? And let us say they
08 don't get a Hollywood contract, just for argument sake.
09 The same promotional trust for TV Guide for -- for
10 Quarter -- you were the one who represented TV Guide, so
11 I'm coming to you as a whole.

12 MS. MEEKS: Yes. Absolutely in every launch
13 environment and every environment today that TVG is
14 involved. All of our platforms, magazine, online, IPG and
15 channel support.

16 MR. LANDSBURG: -- will be set for this process at
17 Los Al?

18 MS. MEEKS: (No audible Response)

19 MR. LANDSBURG: We'd like to be sure that it's all
20 in place because we only have this shot for now.

21 Mark, did you want to say something?

22 MR. WILSON: No, sir.

23 MR. LANDSBURG: Is there further comment?

24 MR. HARRIS: I'll move that we approve the TVG
25 license, except only through the end of 2002.

26 MR. LANDSBURG: Is there a second?

27 MS. MORETTI: -- don't understand why you wanted --
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01 MR. HARRIS: Oh, okay. As I understood it, because
02 if they got the license and somehow the model didn't work,
03 that the cannibalization, you know, was significant, and
04 it looked like the fee structure is just not appropriate,
05 that we have a chance to revisit it. I don't think it's
06 looking at it as being punitive, it's just prudent to be
07 able to take another look at it after a year to see what
08 the numbers are looking like.

09 MR. LANDSBURG: That's the motion. Is there a
10 second?

11 MR. LICHT: I second it.

12 MR. LANDSBURG: All in favor?

13 THE BOARD: Aye.
14 MR. LANDSBURG: I'm sorry, can I count those,
15 please.
16 MS. MORETTI: -- sorry to be slow right now. But I
17 want to approve the application motion --
18 MR. LICHT: For the one year that John proposed?
19 MS. MORETTI: The Board is for two years --
20 MR. LANDSBURG: Well, there's a motion on the
21 table, that motion was to be voted on.
22 May I have the vote, please, again.
23 (Hand count) The vote is two, three, four,
24 five. The motion is approved. Your license application
25 per the decision of this Board is to -- for the year 2002.
26 Is that what your motion was; correct?
27 MR. HARRIS: Yes.
28 MR. LANDSBURG: I just want to make sure. I move
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01 that we revisit it at the end of 2002.
02 MR. HARRIS: Yes.
03 THE BOARD: Does anybody want to take a break?
04 (Break in Proceedings)
05 (A break was taken in the Proceedings at
06 3:00 p.m., and the Meeting was reconvened at
07 3:21 p.m.)
08 (Ms. Granzella is not present)
09 MR. LANDSBURG: Ladies and gentlemen, we are moving
10 on in the agenda, which I would hope to be able to find
11 amongst all of these papers. Here it is.
12 We are at Item 7, Discussion and Action by
13 the Board on the Application for License to Conduct Advance
14 Deposit Wagering by Autotote Enterprises Incorporated.
15 John Reagan, would you please give us your
16 staff report.
17 MR. REAGAN: Certainly, Commissioners. In the
18 application of -- presented by Autotote Enterprise they
19 have dates of operation for their out-of-state hub 363 days
20 per year. They will not operate on Easter or Christmas.
21 Hours of operation Monday through Saturday,
22 10:30 a.m. to the close of racing; Sunday 11:00 a.m. to the
23 close of racing; and Sunday through Thursday close will be
24 approximately 12:30 a.m; Friday and Saturday closing will
25 be approximately 1:00 a.m.
26 Staff has notes, a number of items still
27 missing. They have no contracts with California
28 associations as listed in the still needed items.
0157
01 horsemen's approvals are not here yet, and neither is the
02 entity that will provide the advertising services, the
03 \$500,000 financial security -- excuse me, they have it, it
04 will expire, also the deposit information does not specify
05 California account holders only have one access to one
06 deposit per each racing day. Essentially, we have a
07 number of concerns and Mr. Payton is here representing
08 Autotote and will speak to those.
09 MR. PAYTON: Thank you. Dave Payton with Autotote
10 Systems. I'm one of the subsidiaries of Scientific Games
11 which also owns and operates Summertime (phonetic)
12 Enterprises. So that's why I'm here today, today to
13 represent them.
14 Obviously, it's tough for Autotote

15 Enterprise to follow presentations like we've seen so far
16 this morning and the afternoon. That's not the really not
17 the venue that they offer today, but this is uh, really
18 kind of a different approach or a different aspect of the
19 new law that I think needs to be considered on the
20 enterprise, these things need to be considered in the fact
21 that the regulations allow for out-of-state hubs to apply
22 for (unintelligible) services and yet there's the
23 difficulty of being able to get licenses in our agreements
24 with tracks to actually being able to move forward. So
25 that's kind of the reason that it's, um, um, that we
26 thought it was worth it for us to address this.

27 Autotote Enterprises has been in the
28 business for the last nine years. The state of

0158 Connecticut has authorized California wagering for about
01 20 years and they decided to privatize nine years ago and
02 that's when Autotote Enterprises came in and bought the
03 services and has been providing services. Since then it
04 has increased handle over -- in this operation over 60
05 percent. With that --

06 MR. LANDSBURG: I'm sorry. Please repeat the name
07 of the Operation because I was --

08 MR. PAYTON: Autotote Enterprises.

09 MR. LANDSBURG: No. I meant the increase in the
10 handle --

11 MR. PAYTON: Oh, handle, it was 60 percent increase
12 in handle.

13 MR. LANDSBURG: At where?

14 MR. PAYTON: At the Connecticut off-track.

15 MR. LANDSBURG: Yes. Okay. Thank you I got it
16 now.

17 MR. PAYTON: Sorry. They currently -- it's a
18 relatively small operation to what we've heard so far
19 today. The current active account holders with
20 Connecticut telephone accounts are only about \$5,000, and
21 they do about \$20 million in handle per year. So they're
22 basically a relatively small operation, but they do
23 provide services to over 30 states in the U.S.

24 Initially in the outset with Autotote
25 Enterprises taking over, they actually took wagers from
26 California residents. In Autotote being one of the main
27 service providers to the racetracks in Canada or

0159 California, obviously, it was a conflict of interest for
01 Connecticut to continue doing that. Plus with the
02 questions of whether or not account wagering was legal
03 from a California resident, Connecticut stopped
04 immediately and hasn't taken any California wagers,
05 residents' wagers for years now.

06 Connecticut Teletrack doesn't offer Internet
07 services. It's not authorized in Connecticut. There's no
08 plans at this point to be able to take that path. They
09 don't provide TV, that's not their game, the business that
10 they're in. Being Autotote Enterprises is owned by
11 Scientific Games. What we are is a wagering company that
12 run an off-track operation with telephone betting allowed.

13 So we have an operator tab system, operator
14 telephone (unintelligible) system when we have an
15 automated system with an IBR and that's what we offer. We
16

17 have a web site that identifies to people how they can --
18 how they get access to open an account, make deposits,
19 withdrawals, all those things. And it's been, like I
20 said, we perceive --
21 we're -- right then, it is a very successful operation for
22 the small venue that we operate in.

23 You have to remember the telephone betting
24 network around the country actually has been very popular
25 for a long time with New York and Pennsylvania being
26 really, the forefront, and Connecticut, obviously, being
27 the much smaller geographic region to deal with.

28 Um, it is a point of ours that enterprises
0160

01 operates southern rules and regulations governed by the
02 Connecticut Department of (unintelligible) Revenue. So
03 it's (unintelligible) and legally operated entity, you
04 know, without (unintelligible) mystique and all that
05 stuff. So I thought that was worth pointing out.

06 The real concern is that we've made --
07 addressed or tried to address -- this the ability to be
08 able to get contracts with various associations, and we
09 just haven't been able to do that. So not making that
10 step, we didn't see that there was any really ability for
11 us do anything with horsemen's organization at this point
12 or anybody else. So that's kind of where we stand, but,
13 you know, we view the ADW as an opportunity for an
14 out-of-state hub to be able to apply to them, to submit a
15 license application. We provided the bond and whatnot, so
16 we're very serious to do this. We're just really not sure
17 what we can do next. So we'd like to continue to be able
18 to make -- make steps to reach agreements with the
19 associations, and, um, you know, that's kind of where we
20 stand.

21 MR. LANDSBURG: You do have licenses for simulcast?

22 MR. PAYTON: Yes. Yes. And that's one point. The
23 application they did submit -- they listed all of the
24 tracks that they currently offer under a telephone betting
25 system that included all California associations, and that
26 wasn't the intent. They weren't trying to say that they
27 can -- they would offer those wagers to everybody without
28 the contracts, so they also listed all the Greyhound

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01 tracks and all the Jai Alai (unintelligible) and all that
02 stuff.

03 MR. LANDSBURG: Clarify for me, I don't know, can
04 -- can Connecticut accept telephone wagering on California
05 racing through the simulcast outlet?

06 MR. PAYTON: They've taken wagers from their
07 account holders --

08 MR. LANDSBURG: -- from their account holders?

09 MR. PAYTON: -- in California races, yes.

10 MR. LANDSBURG: Right.

11 MR. PAYTON: That's the simulcast agreement that
12 are in place with all the associations.

13 MR. LANDSBURG: And it covers your telephonic
14 receiver bets? Just -- so I clarify.

15 MR. HARRIS: That is on a meet-by-meet basis.
16 I would understand it though, that at any given meet, has
17 to give you permission, which going forward I would think
18 Southeren California tracks and horsemen would be hesitant

19 to do that --
20 MR. PAYTON: I'm not privy to what will happen, but
21 I do know that their -- it's been -- they've been another
22 outlet -- another guest outlet, just as anybody else in
23 the country has been.
24 MR. LANDSBURG: What -- what -- let us say you have
25 the agreements, just so I can fathom this and understand.
26 Let's say you had the agreements with the track since your
27 operation is rather contained in Connecticut --
28 MR. PAYTON: Uh-huh.

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01 MR. LANDSBURG: -- how would that serve as an
02 advantage to you? I mean, why would you seek it is what
03 really --
04 MR. PAYTON: It was -- the opportunity was we had
05 another state of potential account holders, new account
06 holders that Connecticut could then open up a marketing
07 campaign and try to develop a new clientele.
08 MR. LANDSBURG: But you had it anyway?
09 MR. PAYTON: Well, we didn't, we hadn't taken
10 wagers from California residents on the account -- on the
11 telephone betting side. That's what we haven't done.
12 MR. LANDSBURG: Well, my -- my -- you can't
13 take California residents -- you couldn't have taken
14 California residents anyway?
15 MR. PAYTON: California racing to the other 30
16 states, those people can make a wager today. We
17 don't -- we won't allow the California resident to open an
18 account in Connecticut. So our goal with this application
19 was allow us to do that.
20 MR. LANDSBURG: I see.
21 MR. HARRIS: The reason they can make a wager today
22 is because, for instance, on the Santa Anita or the Golden
23 Gate, um, licensee agreement there was a whole series of
24 outlets that were approved by the horsemen's organization
25 also, and I presume that yours was one of that series.
26 But that is on a meet-by-meet basis, and going forward,
27 I'm sure it remains to be seen that that will --
28 MR. PAYTON: Exactly. You're afraid that the

0163
01 traditional simulcast contracts was the goal we need to
02 meet.
03 So my personal point is -- after listening to
04 everything else today, it just seems interesting after
05 we've heard the legislation that has been placed and the
06 rules that are placed, there are rules for out-of-state
07 hubs. Um, it doesn't seem that there's an opportunity for
08 out-of-state hubs to actually to be able to participate.
09 MR. LANDSBURG: I suppose if they won't
10 license you by the racing association. Okay.
11 MR. PAYTON: That's just the point that we made, I
12 guess. I'm not sure where to take that.
13 Again, I'm Autotote Systems --
14 MR. LANDSBURG: I understand.
15 MR. PAYTON: We're just -- my goal is to make
16 everybody happy.
17 MR. LANDSBURG: John.
18 MR. VAN DE KAMP: John Van de Kamp, TOC. We've not
19 talked with them at all about this, and we don't think
20 that this one should get a license.

21 But it highlights, I think, an issue we have
22 to confront. Because we've been sending our simulcast
23 signals out of state to a number of simulcast sites and
24 that is somehow getting routed into ADW's systems, like
25 the Connecticut one. And we're going to have to have
26 separate contracts and tracks are going to have to agree
27 with us on that, and we're going to have to work our way
28 through this with the tracks to make there's a transfer
0164
01 basically from the strict simulcast contract to something
02 more akin to an ADW contract. I don't know if that makes
03 a lot of sense, but I think in the next three or four
04 months, there's going to be a lot of shake up, and --
05 MR. LANDSBURG: I think given Autotote's problem,
06 it will not only be Autotote, but there won't be a
07 hub any where, other than these two for California -- or
08 three or four.
09 MR. VAN DE KAMP: If that's the --
10 MR. LANDSBURG: Unless you base your hub in
11 California and then begin the process of securing --
12 MR. VAN DE KAMP: Or least -- sublicensing like
13 Youbet?
14 MR. LANDSBURG: That's right.
15 MR. VAN DE KAMP: And that may well be that they
16 come in as sort of a sublicensee and they agree that
17 account holders in Connecticut, for example, can bet
18 through that kind of thing.
19 MR. PAYTON: They can now. And we get a reduced
20 rate on that. We should be able to get a better rate on
21 it. Exactly.
22 MR. LANDSBURG: Hello. The light bulb went on.
23 MR. WOOD: But you do make a good point, Mr.
24 Van de Kamp, about the subcontractor on the person that
25 can piggyback on another applicant, as Youbet made for TVG,
26 that is an area that we have to look at.
27 MR. VAN DE KAMP: Right.
28 MR. BADOVINAC: Greg Badovinac. Right now, I
0165
01 believe the Autotote application is significant in the
02 sense of the last report I saw said that there were 12
03 advance wagering deposit systems providers in the United
04 States. If you include Autotote, you had four applied
05 here.
06 The contract with Magna, the contract with
07 TVG is going to limit the competition, the true
08 competition for California residents to opening accounts
09 and bet on California races, which is going to exclude
10 entities like Autotote, like the Fairgrounds, like Ohio
11 Tab or Brisbet or any of the other eight entities that are
12 in the business, doing a good job for their customers,
13 that would give California residents an opportunity for
14 choice that they don't have because of the setup that we
15 have between the two approved systems.
16 And, um, I don't wish to speak for Autotote,
17 but I do believe that in Connecticut that the telephone
18 wagering is an adjunct to its off-track betting, say that
19 we have at the Fairs. And it's just an adjunct to that,
20 so you go to the big tele-theaters in Connecticut that I
21 don't think Mr. Van de Kamp intends for the people to go
22 to the tele-theaters in Connecticut not to be able bet on

23 California races. I believe that our other intent is to
24 make sure that if you go to these other tracks that the
25 California races have a full and fair opportunity to be
26 bet upon by those customers at those tracks whether they
27 be in Florida, New York (unintelligible), et cetera.
28 MR. HARRIS: Yeah. I think the issue is

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01 though that at some of those tracks there's on, you know,
02 track satellite customer, there also doing telephone
03 betting out of that hub wherever it is. It's just a
04 telephone betting part is where -- for the computer or
05 whatever is the part that we're really interested in.
06 MR. LANDSBURG: At the moment, we don't have
07 outreach to them. As we have no -- no ability to tell
08 them not to take telephone bets from their clientele on
09 California under the simulcast agreement.
10 I don't think that -- we can rule
11 California, but we can't rule Connecticut. I mean, that's
12 what it really comes down to.
13 And I bring to TOC and to all of those who
14 remain present who have now invaded our account wagering
15 that this sublicensing may be a way to allow others in
16 because I believe one of our Board members said that the
17 more systems that are supplying money to California
18 racetracks, the better. And it -- it certainly makes
19 sense. So we'd like you to come --
20 MR. BADOVINAC: Excuse me, Mr. Chairman. If I
21 could add one more thing I want to address during the open
22 meeting. Perhaps it could be incumbent upon the Board to
23 look more favorably upon those entities seeking a racing
24 license that are more willing to share that license -- to
25 share that signal, that ability to take advance deposit
26 wagers with other entities so that we can expand that
27 base. It's not something that you can do directly, but
28 it's, you know -- well, we would look a little more

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01 favorably if you allowed this and won't necessarily affect
02 your ultimate decision, but it could be a good opinion of
03 the Board.
04 MR. LANDSBURG: We will think about it. I have to
05 think about it.
06 Is there any further comment about the
07 Autotote request?
08 In that case, may I request a motion? I
09 think once again, we don't have grounds here for -- under
10 the rules and regulations that have been promulgated by
11 our good legislature, and our regulations, the law and the
12 regulations to approve this license. So I guess the
13 motion has to be at this point, all in -- the motion on
14 the table is to not approve this license.
15 MR. WOOD, JR.: Do we have (unintelligible) a
16 motion for it?
17 MR. HARRIS: So should we just table it because
18 it's incomplete or should we just disapprove? I don't
19 know what the best problem with the --
20 MR. PAYTON: I would ask -- Autotote Enterprises
21 I'm sure would still like the opportunity to be able to
22 see if they can't secure some contracts with the racing
23 (unintelligible).
24 MR. LANDSBURG: We are -- somebody make the motion

25 to table --
26 MR. HARRIS: Yeah. I'll move that we table the
27 Autotote motion, and hold on to the license application.
28 MR. LANDSBURG: I think we should add until we get
0168
01 -- until they have licenses in place in California.
02 MR. LICHT: Second it.
03 MR. LANDSBURG: All in favor.
04 THE BOARD: Aye.
05 MR. LANDSBURG: Any oppose?
06 UNKNOWN: Nobody.
07 MR. LANDSBURG: Okay. Mr. (unintelligible) the
08 application has been tabled for this moment waiting for
09 further information from Connecticut.
10 MR. HARRIS: Mr. Chairman, I have an item that
11 relates to Item 5, which is the approval of the XpressBet
12 application. When I voted to do so, I was under the
13 impression that that application did terminate on October
14 31, 2002. Because that was part of the horsemen's
15 agreement.
16 And subsequently, when I made the motion on
17 the TVG Application, I felt that was being consistent to
18 make it go a year. So I'm not sure exactly what the
19 motion was, but I think the intent of the motion was --
20 MR. LANDSBURG: Well, clarify it right now. All
21 we're approving is the Los Alamitos portion of the --
22 because that's that all they have in terms of
23 horsemen license.
24 MR. HARRIS: Well, they have a license -- that's
25 the reason I was concerned here that that could
26 (unintelligible) over a year versus two years.
27 MR. LANDSBURG: But that's why we limited it to a
28 year only because the potential for cannibalization had
0169
01 reared its ugly head during our discussion and it was
02 decided that we would want to revisit this question at the
03 end of the year. The end of the year in this case would
04 have been the end of 2002.
05 MR. HARRIS: Yeah. I'm okay on that one. It's just
06 on the Magna one that the intent there would be that -- it
07 would also be the end of the year -- or the end of their
08 year, which is going to be -- well, basically at the end
09 of the year.
10 MR. LANDSBURG: Well, if -- with Magna if we did
11 that, one the principal tracks would never -- we'd never
12 be able to get a result from one of their principal
13 tracks. I believe -- I didn't -- I think it was Roger who
14 made the motion who should really speak to it.
15 MR. LICHT: It was my intent that it would be the
16 end of the year, and I guess was remiss or -- that if it
17 wasn't stated specifically, I don't know what the right
18 way to do it would be, but to amend the motion or what
19 we're going to do early tomorrow is to make sure that
20 that's clear.
21 THE BOARD: I'm not sure what the original motion
22 was because I don't think we have it at hand, but I
23 believe that we need to clarify what that -- at this time.
24 MR. LANDSBURG: My understanding of what I voted
25 on, was at the end of this year, we would come back and
26 revisit the license of them for the second year.

27 MR. LICHT: That's my --
28 MR. WOOD: You're talking about the license
0170
01 for XpressBet?
02 MR. LICHT: Yes.
03 MR. WOOD: For both?
04 MR. LANDSBURG: No. We had voted -- if -- the
05 rationale for not doing that with Magna and not limiting
06 it that motion was made seconded for -- only for TVG.
07 MR. HARRIS: Yeah. But going back to the Magna
08 motion -- uh, I interpreted that to be in conformance with
09 the horsemen's agreement that they had, which expired at
10 the conclusion of, um, of the meet.
11 When I said, basically, any meet be run in
12 California by a TVG on track on October 31st, until the
13 conclusion of that meet, whatever that is, but that
14 definitely wouldn't be a two-year license.
15 MR. LANDSBURG: For Magna?
16 MR. HARRIS: Yeah.
17 MR. LANDSBURG: Or XpressBet. XpressBet is a
18 two-year license. It does not have a hold.
19 The TVG license has a hold at the end of the
20 year for revisiting and that was the condition of approval.
21 So at the end of this year, Magna would have
22 to take a close look at cannibalizing and about the
23 relationship of their signal to their promise. Those are
24 the things that we'll be revisiting anyway at the end of
25 this year. So it would be --
26 MR. WOOD: If the TOC contract expires and not
27 renewed yet, it will be revisited at the time?
28 MR. LANDSBURG: Yeah. If the Magna doesn't have a
0171
01 motion they can't move forward.
02 MR. WOOD: Oh, I'm afraid (unintelligible).
03 MR. LANDSBURG: Yeah. That's what the motion was,
04 and that's what was approved by the Board.
05 MR. TOWNE: If I may, before we leave the esteemed
06 and beloved account wagering discussion --
07 MR. LANDSBURG: Beloved by whom?
08 MR. TOWNE: The remainder of this audience I take
09 it. But -- Norm Towne, again, representing the three
10 Northern California fairs and Local 280.
11 I wanted to raise one issue that hasn't been
12 raised today. None of the -- neither of the two
13 applications that were approved has an agreement with
14 fairs, with any fairs. The fairs are the off-track betting
15 franchise in California.
16 MR. LANDSBURG: I --
17 MR. TOWNE: Yes.
18 MR. LANDSBURG: I believe that -- I believe that
19 Chris Korby said they are in negotiations, favorably
20 pursuing it and believing that they will close. That's
21 what Chris Korby said.
22 MR. HARRIS: No, they don't have them though.
23 MR. TOWNE: They don't have them though.
24 MR. LANDSBURG: They don't have them at the moment.
25 MR. TOWNE: And my point in making this statement
26 is that at least 25 percent of the customers that are
27 currently playing horse races in California are at these
28 facilities, and are those facilities customers. And when

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01 you talk about cannibalization, that is a significant
02 portion of the revenues that accrues to horse racing in
03 California.

04 MR. LANDSBURG: That's still up to the fairs to
05 make the deal.

06 MR. TOWNE: I understand that. I just wanted to --

07 MR. LANDSBURG: Okay. Well, it's still up -- that
08 -- if they don't make the deal, we'll have a significant
09 hold on account wagering, but that may or may
10 not be an important factor.

11 MR. HARRIS: Well, as I understand the legislation
12 on -- there's different types of cannibalization. The
13 cannibalization of the satellite, there would be a hold on
14 that through the legislation, if that does move to a ADW
15 bet.

16 MR. TOWNE: In theory, yes. Except that the most
17 cannibalized facility will be the least reimbursed under
18 the current schedule.

19 MR. LANDSBURG: They may have the least expense.

20 MR. BIANCO: I thought voting on Magna not two year
21 license. I thought it expired at the end of the year when
22 their -- TOC actually expired the contract, I don't know
23 how we can -- if there's a stipulation where somebody is
24 the requirement that they're supposed to be under
25 contract, and the contract expires October 31st --

26 MR. LANDSBURG: Then they can't take -- then they
27 can't take further bets if they don't have a horsemen's
28 contract.

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01 MR. BIANCO: Right. But do we license them for two
02 years if they don't have, you know, the full complement of
03 what they need?

04 MR. LANDSBURG: Um, they can -- the can be
05 licensed, but not operating. Not operating on behalf of
06 California race track.

07 MR. WOOD: I think an example of that would be
08 in the summertime when their -- when XpressBet has an
09 agreement with harness racing, but it does not cover the
10 19-day period of time for the Cal Expo or state fairs, as
11 Norm was talking about a minute ago.

12 There's a 19-day period of time where they
13 will not have an agreement with anyone. So either a
14 license isn't in effect for that time, they're not
15 eligible to participate in any (unintelligible) because
16 they don't comply the regulations.

17 MR. BIANCO: Right. I understand.

18 MS. GRANZELLA: Did we go forward with that?

19 MR. LANDSBURG: I think we voted on that. We voted
20 on that.

21 MR. DUNBY: Greg Dunby (phonetic). Did I that
22 right that if I as a customer choose XpressBet, as things
23 stand right now that when the Harness Association in
24 Sacramento is not operating, that I am not permitted to
25 make a bet through XpressBet, is that what I just heard?

26 MR. WOOD, JR.: That's correct. But what you
27 didn't finish your statement with saying is that if they
28 can (unintelligible) arrangement with Cal Expo, at the

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01 state fairs in, that 19-day period of time, they will --

02 you will be able to exercise your right with XpressBet.
03 That's what's under the negotiations with the fairs as we
04 speak. There is agreement with Capital Racing right now.
05 MR. DUNBY: Right. Okay. And unless just assume
06 they sign an exclusive agreement with XYZ Corp. Then if I
07 called as a California person, that they're going to say
08 for that period of time, "I'm sorry sir, we can't take
09 your bet on anything?" I mean, a race -- obviously, not
10 in California, but if I want to make a bet on Saratoga or
11 Arlington Park, that they're going to say, "We're sorry,
12 sir, you're from California, we can't take your money."
13 Is that what I'm hearing?
14 THE BOARD: (No audible response)
15 MR. DUNBY: Mr. Chairman, you keep talking about
16 expanding and bringing new people in, how are we going to
17 explain that to a new customer who says, this is great,
18 you won't take my bet.
19 MR. WOOD: It's not going to have to be
20 explained to him because it's going to be taken care of
21 with the agreements in place.
22 MR. HARRIS: Can I --
23 MR. DUNBY: I mean -- remember -- remember, the
24 premise was, as now, it just -- because -- because of the
25 Chairman has stated he did not want to hear what's going
26 on in the future, it was as of now. And if they don't get
27 that agreement, because the fair signed an exclusive with
28 somebody else, then I as the customer --
0175
01 MR. WOOD: Same thing with Los Alamitos's
02 contract or agreement with the horsemen end of December
03 the 17th. December 17th to December 31st, they have no
04 agreement with anybody. So yes, that's partly right. And
05 we discussed that many times during --
06 MR. DUNBY: No. I understand. I -- I just wanted
07 to --
08 MR. WOOD: It's clear.
09 MR. BADOVINAC: -- to make it perfectly clear, so
10 that the there is no misunderstanding with them --
11 MR. WOOD: -- clear and those discussions with
12 the Board themselves.
13 MR. LANDSBURG: Moving on. Sorry. We are at
14 Item 8, Discussion and Action by the Board on the license
15 amendment for the Los Angeles Turf Club to add the
16 Kentucky Derby Future Wager to the Pari-mutuel format.
17 This one came solely.
18 MR. REAGAN: Commissioners, this is a request from
19 the L.A. Turf Club. For the first time we are in a
20 position where we can offer the future wager represented
21 -- the wager itself is in three separate pools: February,
22 March and April.
23 Of course, the pool is calculated after the
24 Kentucky Derby on May 4th, which, in this case, would be
25 during the Hollywood Park meet, so the two meets will work
26 together to see that that is all taken care appropriately.
27 This is the first time we can offer this in that the ARCI
28 has put together a rule last year, we can use the ARAS
0176
01 ARCI rule and the tote can handle it, so these two
02 organizations have decided to work together and present
03 this pool and see what happens.

04 MR. LICHT: It's a whips wager only; right?
05 (unintelligible) exotics (unintelligible).
06 MR. REAGAN: It's actually just Win. Just win.
07 MR. LICHT: With an exotic takeout?
08 MR. REAGAN: No. It's actual for Kentucky it's a
09 16-percent pool, which is fairly close to our 15.43. So
10 and like I say, it is a Kentucky pool at Churchill, so
11 we'll betting into their. Once the Kentucky Derby is run
12 then we can calculate the pool and those three pools can
13 then be resolved appropriately.
14 MR. LICHT: What we pay -- what do we pay Kentucky
15 for that, John, three-and-a-half percent or something?
16 MR. LANDSBURG: Is three votes good enough to
17 answer that?
18 MR. HARRIS: What motion to see Magna and
19 Churchill (unintelligible).
20 MR. LICHT: Well, just roughly. I don't need the
21 exact.
22 AUDIENCE MEMBER: -- last minute negotiations with
23 representative Churchill Downs. It's somewhere between
24 three and three-and-a-half, and let's say we'll pay -- we
25 won't pay more than three-and-a-half, and I'm hoping for
26 two-and-a-half.
27 MR. HARRIS: Have you got it through TVG and have
28 they signed it?
0177
01 AUDIENCE MEMBER: I'm hoping to hear something.
02 MR. LICHT: I move that we accept this proposal.
03 MS. MORETTI: Second it. Second it.
04 MR. LANDSBURG: I had one more (unintelligible) on
05 discussion. May I hold your --
06 MR. LICHT: Sure just a second.
07 MR. LANDSBURG: If we are in fact going to get the
08 lion's share of the wager, or just offering another way
09 for California to spend their money in -- in distant
10 locations, not that they wouldn't anyway, but I would like
11 it known that once any time we approve taking money out of
12 this state, we better have a good enough reason for having
13 done it. Because all we're doing is massacring the money
14 that available to tracks here.
15 MR. HARRIS: I think this is going to be a
16 relatively small amount of money but it gives a lot of
17 interest. I know -- I don't think he was going to bet a
18 tremendous amount but it just gives interest in racing in
19 general.
20 MR. BAEDEKER: Rick Baedeker, Hollywood Park. The
21 host fee, the three -- two-and-a-half to three-and-a-half
22 percent goes to Kentucky, the balance stays here.
23 MR. LANDSBURG: The balance stays here.
24 MR. BAEDEKER: The lion's share is staying in
25 California. It's a very popular wager in other states and
26 it's really satisfying.
27 MR. LANDSBURG: And if -- I thought it stayed in
28 the Kentucky pools though. Are we creating our own pool
0178
01 here?
02 MR. BAEDEKER: It's just -- it's just like a silent
03 -- it's just like betting on a race from Kentucky, we send
04 the host fee back to Kentucky.
05 MR. LANDSBURG: Right. Okay.

06 THE BOARD: It's not right for them to move.
07 MR. LANDSBURG: Now, if you'd like to continue with
08 your second.
09 MS. MORETTI: I second my first.
10 MR. LANDSBURG: Second by Ms. Moretti.
11 And all in favor?
12 THE BOARD: Aye.
13 MR. LANDSBURG: And one opposed.
14 UNKNOWN: One opposed.
15 MR. LANDSBURG: One opposed. (Unintelligible).
16 It's just sucking bad money out of --
17 MR. HARRIS: We do it everyday though. I mean,
18 everyday of the year.
19 MR. LANDSBURG: But not to the wager -- that's the
20 sucker bet of all time. Your horse doesn't run you don't
21 get a bet.
22 MR. BADOVINAC: Greg Badovinac. Mr. Chairman,
23 there's two things. One, that's popular in Las Vegas,
24 that's how I got Sunday Silence 20 to 1 with his Kentucky
25 Derby; and Number two, is that I would hope that Horse
26 Racing Board would support changing the California law of
27 seven days before the actual event. So that we could
28 actually host something like that ourselves.

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01 MR. LANDSBURG: Thank you, onward. That's been
02 approved six to one.
03 Discussion and action by the Board on the
04 request of the Bay Meadows Operating Company --
05 MR. WOOD: Excuse me. Just for the record,
06 it's five to one, Ms. Granzella is not here.
07 MR. LANDSBURG: There's five to one. Sorry. I was
08 voting for her.
09 Anyway, discussion and action by the Board on
10 the request of the Bay Meadows Operating Company to
11 retroactively amend its license for the spring and fall
12 meets of 2001. The amendment would designate the Bay
13 Meadows Foundation as the charity days distributing agent.
14 MR. REAGAN: Commissioners, this is a slightly
15 unusual item, let me give you a little background.
16 For many years Bay Meadows was required by
17 law to have charity dates and distributions, and for many
18 years that required and independent distributing agent,
19 which was the Bay Meadows Foundation. Some law changes
20 allowed Bay Meadows, in their opinion, to act as their own
21 distributing agent, which many of the associations now do.
22 Based on some prior settlements with the Bay
23 Meadow Foundations, the foundation took issue with that
24 choice that Bay Meadows made. They took -- apparently
25 took some legal action, and in order settle that action,
26 Bay Meadows did so with the Foundation and as part of that
27 settlement, Bay Meadows is here requesting that there be a
28 retroactive appointment of the Bay Meadows Foundation as

0180
01 the distributing agent for 2001, and I know on their
02 future applications that they will probably have the Bay
03 Meadows Foundation listed also. So the Bay Meadows
04 Foundation is back as the distributing agent, essentially.
05 MR. LANDSBURG: But they must bring their reports
06 to us and their balances as well?
07 MR. REAGAN: Yes.

08 MR. LANDSBURG: Thank you.
09 Is there any more discussion? A motion -- is
10 there a motion to --
11 MR. BIANCO: I make a motion.
12 MS. MORETTI: I'll second it.
13 MR. LANDSBURG: Commissioner Bianco and seconded by
14 Commissioner Moretti.
15 All in favor?
16 THE BOARD: Aye.
17 MR. LANDSBURG: All those opposed? One absent.
18 Moving on.
19 Discussion and action by the of the request
20 that Hollywood Park Charity's Incorporated to distribute
21 \$233,100 in Charity Proceeds to 40 beneficiaries.
22 MR. REAGAN: Commissioners, the list of the minute
23 (unintelligible) is included in the package, with over --
24 with approximately 54 percent of that money going to the
25 horse racing related -- horse racing industry, race
26 related associations, we recommend that you approve this
27 request.
28 MR. LANDSBURG: I just want to be sure. Tranquility
0181
01 Farms is what? Question. There's no one from --
02 MS. MORETTI: Rick is.
03 MR. LANDSBURG: I'm sorry. Rick what is
04 Tranquility Farms? Just for my own information.
05 MR. BAEDEKER: It's an organization for retired
06 race horses.
07 MR. LANDSBURG: Retired. It is retired race
08 horses.
09 MR. BAEDEKER: I'm going to asterisk that. That
10 I'll get back to you if that's not the case, but we did
11 this a couple of months ago. And I'm almost positive
12 (unintelligible).
13 MR. REAGAN: Mr. Chairman, and we do review this in
14 the sense that we do check with the attorney general's
15 Office to make sure they are registered. They do have CT
16 numbers.
17 MR. LANDSBURG: I just wondered what its function
18 was that's all.
19 MR. REAGAN: Yeah. Yeah. (unintelligible) many
20 either at this time of day.
21 MR. LANDSBURG: Any further discussion?
22 I'll take a motion on --
23 MS. MORETTI: I'll move that we accept this.
24 MR. BIANCO: Seconded.
25 MR. LANDSBURG: Moved and seconded. All in favor?
26 THE BOARD: Aye.
27 MR. LANDSBURG: Opposed? For the record,
28 unanimously.
0182
01 Staff report on the following concluded
02 races: Churchill Downs Fall Operating Company at
03 Hollywood Park for November 7th, 2001 through December
04 17th, 2001. Um, Pacific Racing Association at Golden Gate
05 Fields for December 26, 2000 through December 17th, 2001;
06 and Bay Meadows Operating Company at Bay Meadows from
07 April 4th through November 5th, 2001 and Los Alamitos
08 Quarter Horse Racing Association at Los Alamitos
09 from January 5 through December 16th.

10 MR. REAGAN: Commissioners, our standard set of
11 reports here. Just one note, this is the time of year
12 when we generally try to have the Pacific Racing and the
13 Bay Meadows side by side for comparison.
14 Over the last several years, we've made
15 numerous adjustments to the Northern schedule, and it's
16 very difficult to sometimes show bits and piece versus
17 others. We get some strange numbers. But like showing
18 the entire year even though the meet at Golden Gate may
19 not be officially completed right now, we're trying to
20 show racing year versus racing year, and just like this
21 year, we're also doing that for Los Alamitos. So at least
22 we're trying to be consistent in showing that. In fact,
23 today we may a slight adjustment to the Bay Meadows
24 Pacific again. So that's what we're doing here, and if
25 you have any questions, I'll try to answer them.
26 MR. HARRIS: (unintelligible) reports. It might be
27 good to include like the amount of purses that are in that
28 generate a given meet, today so that (unintelligible) can
0183 handle it.
01 MR. REAGAN: We'll be glad to do that.
02 MR. LICHT: I have a question for Rick on
03 Hollywood.
04 Why was the attendance up so dramatically
05 and -- on track handle down on Friday nights?
06 MR. BAEDEKER: Oh, yeah. Well, no. As a matter of
07 fact, we had the same number of Friday nights the previous
08 year. We characteristically only run two Friday's before
09 Thanksgiving. On track attendance was up to -- aside from
10 the fact that we just do our business so darn well.
11 MR. LICHT: Good management.
12 MR. BAEDEKER: Yeah. But other than that, it was
13 -- it followed a trend around the country, post 9-11, the
14 racing business has -- had been up after that time, at
15 least through the end of the year. And I think we
16 benefited in that way. My personal intuitive guess is
17 that people stayed closer to home over the Thanksgiving
18 weekend than in previous years.
19 We saw a shift in on track business to import
20 business, which is consistent with previous meets. And so
21 on track business was down just slightly. I will say,
22 however, that had we not been rained out over the biggest
23 weekend of the season, Thanksgiving weekend, I think we
24 would have been up in all categories. We are very pleased
25 given the bad luck of the weather, that the numbers
26 weren't solid as they were.
27 MR. LANDSBURG: Any other comments or questions?
0184
01 Once again, there are always more minuses
02 than pluses. By the way that bothers me, but only me.
03 MS. MORETTI: I would just like to make a comment
04 to just thank the Board members who worked so diligently
05 and the staff for all the work that they did to
06 accommodate today's meeting.
07 MR. LANDSBURG: It's an amazing amount of work. I
08 second Commissioner Moretti's comment. The amount of work
09 that staff and many of the Board members put in on this,
10 you know, it's amazing. And that they were able to pull
11 it together, despite my misgivings about issuing the

12 licenses, which I don't mind having on public record.
13 This -- the work was absolutely stunning on the committee.
14 Moving on, to Committee Reports,
15 Vice-Chairman Roger Licht, Committee Chairman of
16 Pari-Mutuel Committee tell us about today's victory.

17 MR. LICHT: Well, to fill in some of the gaps
18 on today's schedule, because we might be bored, we had a
19 Pari-Mutuel meeting in the morning, and we discussed
20 alternate runners in the Pick Three and the Pick Four and
21 sort of scuttlebutt to me and around the track is that it
22 would be a good thing to do.

23 We are now going to have alternates in the
24 Pick Four, starting basically, immediately, as soon as
25 possible. The Pick Three we have deferred because the
26 cost appeared to be overwhelming. We were told
27 approximately one thousand man hours in programming time
28 in order properly implement alternates on Pick Three, so

0185

01 we will start with Pick Fours.

02 As far as having different payoffs on the
03 various, like on the Pick Six, in case of a dead heat, the
04 extreme example is a 20 to 1 shot and dead heats are only
05 2 to 5 shots, again that one 2,500 hours in programming
06 time we were told by Autotote. And so the committee
07 decided to defer any action on that for awhile, as well.

08 What we have decided to do on both of the
09 proposals that were not enacted was to take those ideas to
10 the RCI Racing Commissioners International that would
11 discuss there and see what, if anything, would be done on
12 a national basis.

13 The Pick Six pool is something that was
14 discussed. John Reagan and his staff are making a constant
15 review of the large size Pick Six payoffs to make sure, as
16 I like to say, there is a level playing field to see
17 that -- where the Pick Six's are being hit, the size of the
18 tickets and so forth. And I think that that goes along
19 with our charter, reassuring our public that it is a fair
20 game on the front side as well as the back side, and that
21 everybody really does have an equal chance to hit a Pick
22 Six.

23 MR. LANDSBURG: And we talked somewhat about
24 finding promotable people who might voluntarily come
25 forward to say, yeah, I won \$33,000 for a \$6.00 bet. Just
26 as a promotional device. Because every time we spend,
27 apparently it produces some excitement and interest in the
28 minds of the unwatched.

0186

01 Moving on to General Business, is there any
02 communications or its request for future action of the
03 Board?

04 I have one. We had discussed and targeted
05 February as the due date for committee reports on the
06 Filimet report, however, I believe now that given the
07 stress of this week and the next session that we should
08 move that forward to April. And be safely into one of our
09 more common meetings. And we are so going to do that for
10 those of you who may be primed for the discussion of the
11 committee reports on the Filimet.

12 Old business, issues that may be raised for
13 discussion?

14 With that we bring to a close, the public
15 part of the session. The Board will now go into an
16 Executive session.

17 Thank you all who remain. You're really
18 wonderful. I think we have now set a record for Board
19 meetings.

20 (Board Meeting adjourned at 4:05 p.m.)

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